



Prefatory Notes
to the
BUDGET NOTES
of:
H.E.H. the Nizam's Government
for the years
1331 to 1340 F.

by
SIR AKBAR HYDARI
HYDAR NAWAZ JUNG BAHADUR

HYDERABAD-DECCAN
GOVERNMENT CENTRAL PRESS

1918



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Budget Note for 1331 Fasli

HAVING taken charge of the Finance portfolio only last month, I shall, without attempting any lengthy disquisition on the financial position of the State, content myself with showing, as briefly and as clearly as I can, what the anticipations with regard to the various classes of income and expenditure have been and how they have actually turned out in 1329 F., what they are expected to be before the year 1330 F., closes and what are the salient features of the provision we have made for the coming year. In doing so I shall try to eliminate as far as possible, from the ordinary revenue and service expenditure of the State, purely temporary items of expenditure and especially those which should not genuinely be considered as such. For example, receipts on account of sale of funded investments, like Government Promissory Notes might swell the cash balance of the State, but being at the expense of our invested balances their inclusion would distort a correct view of our revenue income. Similarly, the profits from *Osmania Sicca coinage, which formerly used to be invested in a separate reserve (the Kaldar Reserve), cannot be depended upon as a regular source of income, and, cannot therefore be treated in the accounts as an ordinary source of revenue. On the other hand, meeting the whole of the famine expenditure as part of the ordinary expenditure of the year in which the famine, after a cycle of years, happens to occur, abnormally exaggerates the position, as regards expenditure, of that year.

One of the problems, to which the Financial department proposes to address itself in the coming year, is the revision of the classification of the heads of receipts and disbursements in such a way as to exhibit each class in its true perspective and to earmark the

Departmental-
ization of the
Finances.

*O.S. Rs. stands for Osmania Sicca Rupees, the State currency.

B.G. Rs. stands for British Government Rupees, the British India currency.

different funded investments under separate reserves according to the sources from, or the objects for, which they have been constituted. There is also another object in view in this revision and that is, what I might call, the *departmentalization of the finances*. In a passage that has become classic, Sir John Strachey showed how before the provincialization of the finances in British India, it was the Province that cried the loudest, and not the one that deserved the most, that got the largest share from the common treasury of India :—

“ The local governments had no means of knowing the measure by which their annual demands upon the Government of India ought to be regulated. They had a purse to draw upon of unlimited, because unknown, depth. They saw on every side the necessity for improvements, and their constant and justifiable desire was to obtain for their own province and people as large a share as they could persuade the Government of India to give them out of the general revenues of the empire. They found by experience that the less economy they practised and the more importunate their demands, the more likely they were to persuade the Government of India of the urgency of their requirements.”

Applying this analogy of the *Provinces* in British India to the different *departments* of this State, giving the most to the department that cried the most was a policy which led to no practical difficulties when as ten or even five years ago, a surplus of over a crore or even a crore and a half out of a total revenue of between five and six crores was a normal feature of the State Budget. But this has become impossible now, when as will be observed when I deal with the budget figures for 1331 F. in detail, the highest receipt budget, that has so far been framed, is just sufficient to meet all the demands of expenditure to which the Government practically stands committed ; and the policy, that suggests itself to me as the best at present for adoption, is to fix the total grant of each department for a number of years and give it a large measure of autonomy within that grant, subject of course, to such general restrictions as are necessary to avoid any undesirable development or precedents, and subject also to a rigid and really effective audit. The department must carry out whatever measures of reform it might desire to institute within this grant. If it happens to have any proposals for capital expenditure, it must

provide, within its grant, for the amount of interest by which the earnings of the project fall short of the interest charges, incurred by the State in financing it. If after such allocations of the ordinary income among the different departments and making due provision every year for the formation of specific reserves for such classes of expenditure as, like famine, come inevitably but after a cycle of years, there happens to be a surplus it would be the happy privilege of the Finance department to suggest how that surplus could be most profitably distributed, the first claim on it ordinarily being that of the department contributing to its creation and then of development departments like Education, Sanitation, Commerce, Industries, Irrigation and Communications, that promote the mental, physical and economic efficiency of the people. Until, however, such a surplus is actually in the coffers of the State, the Members in charge would be trusted to see that the expenditure is kept from year to year within the grants fixed for them for a definite period.

The Hyderabad Budget has to be framed in the beginning of August, by which time some forecast of the *Kharif* and *Abi* crops (Autumn crops) which depend on the south-west monsoon rains between June and August, can be made ; but any estimate of the *Rabi* and *Tabi* crops (Spring crops), depending on the north-east monsoon between October and December, is purely conjectural. When Mr. Glancy framed his last Budget Note (for 1330 F.) the rainfall up to that time (the 3rd week of August) had been the worst on record since the famine year 1309 F. He based his estimate of receipts, therefore, on the assumption of an entire failure of the autumn crops but of the spring crops being normal. Actually the north-east monsoon failed practically absolutely, the average rainfall of the Dominions in the two months of October and November having been less than an inch. The last week of August and September however, had given six inches of rain from the south-west monsoon, which had helped to revive the withering *Kharif* and had also been useful for the standing *Abi* crop. The net result was that the Land Revenue is expected to be at the end of this year practically what had been budgetted for. There is expected to be a total improvement in the various revenue heads of about 17 lakhs, whilst the ordinary service expenditure heads are expected to show savings of about 15 lakhs or a total net improvement of 32 lakhs.

Seasonal Condi-
tions of 1330 F.

The closing cash balance for 1330 F., which had been estimated at 387 lakhs, is expected now to be 481 lakhs. Besides the improvement under ordinary Service Heads of 32 lakhs, a further improvement of about 42 lakhs, is expected owing to the opening balance having been actually to that extent more than what had been anticipated. Further there is an increase in the receipts of over 37 lakhs on account of securities of the value of over B.G. 108 lakhs having been sold as against B.G. 50 lakhs contemplated in the budget; on the other hand famine expenditure is expected to exceed the budget estimate of 50 lakhs by 36 lakhs. It is right to speak of the famine expenditure side by side with the sales of funded investments, as the former is being incurred for the last three years as a charge against current revenue whilst the investments, that have been sold, have likewise been formed, at least, in part, from the surpluses of revenue in prosperous years, which could have been set apart as a reserve for meeting famine when it came. The famine expenditure, excluding advances under Debt Heads, was 45·65 in 1328 F., 27·87 in 1329 F. and 85·94 in 1330 F. or a total of 159·46 against which only securities of the face value of B.G. 108 lakhs have been sold. Thus famine expenditure might well be considered to have been financed as if there *had* been a separate Famine Reserve, the Government paper that had been sold being what might be considered as having been in that Reserve.

In view of the copious and timely rains with which we have been so far favoured, I have estimated the Land Revenue in 1331 F. at 300 lakhs, the highest figure so far contemplated, which has also led to correlative heads of Customs and Excise being budgetted for at the record totals of 100 and 130 lakhs respectively. The total Service Receipts I estimate at a little over 680 lakhs (680·15).

The total expenditure I estimate at 665, leaving a surplus of 15 lakhs. Most of the increases are for expenditure to which Government has stood practically committed for some time past. Provision under the heads concerned of a total sum of 7 lakhs for Gazetted Officers' salaries and 26 lakhs for improving the pay of the Non-gazetted establishments in the City and districts and 5½ lakhs for high prices

allowances to the Police and the Military, in addition to 26½ lakhs already being paid in the form of high prices allowances to the Civil departments shows what a heavy inroad on the State finances high prices have made.

Public Works. The Public Works Department Budget also is at the record figure of a crore and twenty-five lakhs and includes special provision for the great Himayat Sagar Dam to be completed under His Exalted Highness the Nizam's commands in 5 years and the first instalment of the Drainage Scheme in Hyderabad City on the lines that have been recommended by Sir M. Visveswaraya. Although the gross grant allotted to the department is not higher than before, it is expected that they will make a greater use of it than hitherto and therefore the probable savings are put down at a much lower figure than in previous budgets.

Judicial. The separation of the Executive and Judicial functions is likely to add considerably to the Judicial Budget, in which next year an addition of 4 lakhs has been made on this account.

Education. The provision under Education now stands at 54 lakhs and includes, in addition to grants for the expansion of Primary and Secondary education, the first instalment of grants for a scheme of reorganizing the system of technical instruction throughout the Dominions on fresh lines, to be worked out by a Board specially created for the purpose, and for the establishment of circulating libraries throughout the districts to act practically as continuation schools after the primary stage of instruction; additional expenditure for the recently opened B.A. Classes of the Osmania University has also been provided for; and also a large number of European scholarships specially sanctioned for Industries and Engineering in addition to the normal number.

Medical. The Medical Budget includes grants for the reorganization of both the English Medical and the Unani Ayurvedic schools. A committee has been constituted to report on the steps to be taken to constitute them into the Medical Faculty of the Osmania University.

Special. The only heavy item of expenditure which is particular and limited to the next year's Budget is the provision of 8 lakhs on account of His Royal Highness the Prince of Wales' visit. Two

lakhs have also been provided to pay the outstanding arrears of the famine expenses of 1330 F.

Whilst the ordinary Service Revenue and expenditure heads are expected to yield in 1331 a surplus of 15 lakhs, the debt heads also will add about 13 lakhs to the cash balances.

On the other hand Government is committed to Capital Expenditure not debited to revenue, on account of Railways and Industrial Enterprises, which is expected to amount to about 120 lakhs, thus reducing the cash balances from an anticipated opening of 481 lakhs to a closing balance of 389 lakhs at the end of 1331 F.

Amongst the Industrial Enterprises, the largest provision is on account of the Mohwa Alcohol and Motor Spirit Factory, for which a provision of 4 lakhs has been repeated and which it is hoped will be completed in 1331 F.

The reorganization of the Telephone System which is at present very much out of date, has been sanctioned and over 6 lakhs have been provided on this account; also a provision of over 30 lakhs for a new Power House with additional plant which was sanctioned last year to provide for the growing demand of the City for electrical power.

A provision of about 77 lakhs has been made for railway construction. There are two lines at present under construction—the Kazipett-Ballarshah Railway, the approximate cost of which is estimated at Rs. 2,60,90,000 (1,74,514 a mile) and the Gudwal-Kurnool line estimated at Rs. 36,47,000 (B.G. Rs. 91,453 a mile). Spreading the estimate for about six years, the Government will have to advance on this account between 50 and 60 lakhs B.G. a year. For 1331 F. Government have already undertaken to provide B.G. 44 lakhs on this account. At the same time the capital requirements of the N.G.S. Railway mean the purchase of Railway Stock and Debentures of between 16 and 20 lakhs a year. B.G. Rs. 20 lakhs have been undertaken to be provided for next year on this account. With regard to this latter item, however, it must be

remembered that they reduce to that extent the purchase price which Government will have to pay when they repurchase the railway from the share-holders ; also every investment on fresh capital brings in, it is calculated, a return of 25 per cent. in the net earnings, of which half goes to the Government, so that this expenditure is remunerative in every sense of the term.

The Rupee investments at the end of 1330 F. are expected to be of the face value of Rs. 471·76 and in 1331 F. to be the same.

Funded Investments.

As will be explained below, two crores out of these must be taken as having been constituted from the profits on coinage and will in future be separately earmarked as a Kaldar Reserve. 31·95 lakhs belong to the Paper Currency Reserve. There is left a balance of Rs. 239·81 lakhs, the whole or a considerable part of which will have to be allotted as a Sinking Fund for the outstanding Government debt which is expected to be about Rs. 223·85 at the end of 1331 F. There will, in addition to this, be the Sterling Investments, consisting mainly of Railway Debentures. These however, are, as already stated, more or less a reduction of the price the Government will ultimately have to pay for the redemption of the Broad and Metre Gauges in 1934 A.D. or 1343 F. and cannot therefore be considered as a liquid asset.

The Mint bullion balances are expected to remain unchanged. They amounted, if valued at the prices now prevailing, to 23·78 lakhs in value in the beginning of 1330 F. and 29 lakhs at the end of the year.

Bullion balance.

For stabilising their currency, the Hyderabad Government adopted measures, practically identical in principle with those, on which after the closing of the Indian Mints, the Government of India had been able to maintain successfully the sterling value of their rupee in the neighbourhood of 1s.4d. As a result of these measures the rate of exchange between the Hyderabad Currency and that of the British Government had been kept, except during the extremely abnormal conditions of the Great War, within small variations at the ratio of Osmania Sicca (Hyderabad) Rs.116-14-7 to British Government Rs. 100 which represents the respective silver contents of the two.

Currency.

A favourable balance was the normal condition of Hyderabad, as it was of Indian trade, and there was usually every cold weather a demand for the State currency in exchange for B.G. Rupees to finance the exports of produce to which this favourable balance was due. It was practically for the first time in the history of the stabilised Hyderabad currency that, owing to famine conditions, added to the rush for the purchase of gold at the Government of India auctions, this balance was reversed in 1329 F. and the Hyderabad Government had, in order to stabilise the exchanges, to throw open their B.G. and not as usual, their Osmania Sicca Reserves. In $3\frac{1}{2}$ months (between the middle of Thir-May 1920 and the end of Mehir-August 1920) 247 lakhs of B.G. had been paid off in exchange for O.S. Rupees delivered to the Government, whilst in the three previous seasons 1327 F., 1328 F. and 1329 F. (1st half) 243 lakhs, 213 lakhs and 294 lakhs of O.S. had been sold in exchange for B.G.'s. In 1330 F. also owing to the failure of crops for export, 99 lakhs of B.G. have had to be offered to finance the import trade, the demand for B.Gs. having set in early in January last (Isfandar 1330 F.) and has continued up to the present day. It is expected, however, that with a copious rainfall the normal balance of trade will be restored; although possibly our sales of O.S. drafts in 1331 F. might not be as heavy as what they had been in the record year 1329 F. owing to the large accumulated stock of cotton lying in Bombay and the consequent comparative weakness of demand for fresh produce of our Dominions. The reserves of silver that we have in the Mint will therefore, I expect, be ample to meet any demand for an addition to our O.S. currency that may spring up in the export season of 1331 F.

From certain figures which I have been able to obtain, the profits on coinage, from the time that the stabilised Hyderabad Rupee was being minted, amount roughly to about 2 crores, which may be considered as having gone to form part of our Rupee Investments, which stand at a face value of B.G. Rs. 471.76 lakhs. It is proposed in the course of the year to work out as accurately as possible the amount of these Coinage Profits and to earmark investments corresponding to them in a separate reserve to be called, as before, the "Kaldar Reserve," always available and reserved for maintaining the stability of the O.S. Currency.

I now proceed to review in detail in the usual order :—

- (1) The Actuals as compared with the Budget estimates for 1329 Fasli.
- (2) The Revised as compared with the Budget estimate for 1330 Fasli.
- (3) The Budget estimates for 1331 F. as compared with those for 1330 F. In explaining my figures under each head, I have tried to give the actuals for each of the preceding 5 years.

15th Mehir 1330 F.
21st August 1921.

A. HYDARI,
Finance Member.

Note on Departmentalization of Finances

I HAD in my Budget Note for last year tried to give as clear an idea as possible of the principle of what I call "the Departmentalisation of the Finances." It was "to fix the total grant of each department for a number of years and give it a large measure of autonomy within that grant, subject of course, to such general restrictions as are necessary to avoid any undesirable developments or precedents, and subject also to a rigid and really effective audit. The department must carry out whatever measures of reform it might desire to institute within this grant. If it happens to have any proposals for Capital Expenditure, it must provide, within its grant, for the amount of interest by which the earnings of the project fall short of the interest charges, incurred by the State in financing it. If after such allocations of the ordinary income among the different departments and making due provision every year for the formation of specific reserves for such classes of Expenditure as, like famine, come inevitably but after a cycle of years, there happens to be a surplus it would be the happy privilege of the Finance Department to suggest how that surplus could be most profitably distributed, the first claim on it ordinarily being that of the department contributing to its creation and then of development departments like Education, Sanitation, Commerce, Industries, Irrigation and Communications, that promote the mental, physical and economic efficiency of the people. Until, however, such a surplus is actually in the coffers of the State, the Members in charge would be trusted to see that the Expenditure is kept from year to year within the grants fixed for them for a definite period.

I had explained in that note why this procedure had become necessary. Hitherto the procedure in framing

the Budget was to scrutinize the demands of each department separately and independently and to give t an allotment for any expenditure that the Finance Department considered was desirable and not too extravagant. After the Expenditure Budget had been thus framed, the Budget of Receipts was framed towards the end with reference to the seasonal conditions which then existed. This procedure of framing the Expenditure Budget without reference to the Receipts Budget did not hitherto give rise to any difficulties, because there was a very wide margin between the two and however liberal the grants that might be made to departments, the total Expenditure fell far short of the anticipated Receipts in a normal year. Now however, there is no such margin. The Receipts and Expenditure have come practically to balance each other and our expenditure has now to be regulated with a strict reference to the income. It is, therefore, necessary to make a forecast of our income and then to allocate it to the different departments. All that I have proposed is to make a forecast of Receipts on normal conditions of season for a definite period, say, 3 years, and to allocate the Expenditure of the different departments for the same period so that each department might be sure of what its grant would be, and would have an incentive to spend its grant to the greatest possible advantage. It would not be under the necessity of rushing through its annual grant towards the end of the year for fear of its lapsing, as would be the case if its grant was from year to year. I hold that this is the only practical and proper way for a Government as soon as its Revenue and Expenditure tend to approximate each other and His Exalted Highness with his usual wisdom, has sanctioned this principal, which therefore, is now outside the pale of discussion.

I have tried to make out a forecast of our normal Receipts and Expenditure which I attach herewith (*Annexure B*). This forecast has been prepared after a most elaborate study of figures extending in some cases over 50 years, as will be seen from an advance copy of the publication I am submitting herewith (*Annexure D*) and for which and for the careful study of all the facts and figures connected with the subject, I cannot too deeply express my indebtedness to Mr. Datar, Assistant Accountant-General on special duty in the Finance Office for the work.

This forecast is, of course, open to discussion. It is possible that under certain heads my forecast of Receipts might be too conservative or too liberal. If so, after discussion, I shall be prepared to modify it; but if after such a discussion the total Receipts are less than what I have forecasted it will be necessary for me to reconsider the allotments of Expenditure to the different departments, so as to bring their total to this aggregate of Receipts.

The Finance Department have framed a set of rules showing how departmentalization will be applied, which perhaps will help to give a clearer idea of it. These rules also are subject to discussion, modification, improvement and addition. They are marked *Annexure A*.

I might observe that I have also in accordance with my promise in the Budget Note revised the classification of the heads of account, a copy of which I enclose herewith (*Annexure C*). The figures I have submitted for discussion are according to the existing classification to enable their being followed more easily at present but they will be recast in the new form in the final Budget when it is passed and published. The main changes in the classification that I have made are the following :—

1. The different heads have been arranged in order according to a definite principle and the numbers against each Major Head on the Receipt and Expenditure side have been made identical. First come the heads relating to the principal heads of revenue and other source of Receipts, like Interest, Mint, Post Office, and then come heads relating to what are mainly Expenditure Heads.

2. The Receipts of Civil Departments like Education, Medical, Police, etc., which are very small and incidental, will not be shown on the Receipt side, but the Expenditure will be shown net in the published accounts.

3. Refunds, instead of forming a separate Major Head, will be deducted from the Revenue.

4. Compensations, will be debited to the head concerned instead of forming a separate Major Head.

5. The head "Miscellaneous" used to have all kinds of items including Receipts on account of sale of Promissory Notes and Investments. These have all been separated and placed under proper heads.

6. Scientific and Miscellaneous Departments had all kinds of departments grouped under one Major Head. Some of these have been transferred to Commercial and Quasi-Commercial Concerns and others brought under Administrative Departments.

7. Separate heads, for Famine Relief, in which it is proposed to lay aside a fixed amount for this uncertain but necessary expenditure, for Sinking Fund for the redemption of debt and for the different Reserve Funds, have been opened.

The following gives a brief conspectus of the new grouping which has been arrived at after very prolonged discussion and thought :—

- A. Principal heads of Revenue.
- B. Interest and Debt Redemption,
- C. Mint, Paper Currency and Exchange,
- D. Post Office,
- E. Payments to His Exalted Highness,
- F. Administration charges, which include :—
 - a. General Administration,
 - b. Military (Defence),
 - c. Justice, Jails and Police (Internal Protection)
 - d. Departments of Internal Development, like Education, Medicine, Sanitation, Religious, Agriculture, etc.
 - e. Municipalities and Public Improvements,
 - f. Buildings,
- G. Commercial and Quasi-Commercial Concerns,
- H. Development,
- I. Famine Relief and Insurance,
- J. Miscellaneous,
- K. Capital Outlay (of Commercial and Quasi-Commercial Concerns),
- L. Investments of balances,
- M. Debt Heads.

To sum up, the procedure that I have sketched out for the future and which I have briefly called “ Departmentalization of the Finances ” is the only procedure which can consistently with economy and the fair rights of the different departments be adopted by us under

present financial conditions and is one which, in view of His Exalted Highness' Firman, can now no longer be subject to discussion. The rules, to give effect to this principle, that will in future define the powers of departments with regard to reappropriations, etc., under the grants entrusted to them are submitted and can be subjected to further discussion (*Annexure A*). The forecast, too, of Receipts and Expenditure for the next three years is one that is open to the Members in charge to ask us to modify, only remembering that any reduction in the aggregate Receipts must lead to a corresponding reduction in the total Expenditure (*Annexure B*). I shall also be glad to consider any suggestions I may receive as regards the new classification (*Annexure C*).

A. HYDARI.

15th Shehrewar 1331 F.

21st July 1922.

Annexure A

Departmentalization Rules

Rule I.

The grants allotted to each department shall be fixed for 3 years beginning from 1332 Fasli provided that :—

- (a) if any particularly adverse circumstance like Famine or severe scarcity arise, they will be liable to curtailment.
- (b) if there is any increase at the end of the year over the normal Receipts, the excess will be distributed by additional allotments to the different departments in such a way as Government may decide.

Rule II.

Each of the spending departments noted in the margin will be entitled to spend in addition to its normal grant any increase in its Receipts and the proceeds of any fees or cess, etc., that may be imposed lawfully for the service of that department.

Post Office and
Departments
Under "F" Ad-
ministration.

Rule III.

A department may be given in special circumstances a special allotment for expenditure in advance, if the Finance Department is satisfied that the expenditure will be covered by a corresponding increase in the Receipts.

Rule IV.

Each of the Commercial and Quasi-Commercial departments mentioned in the margin shall have

Printing, Electri-
city, Workshop,
Telephone, In-
dustrial con-
cerns, Jail In-
dustries.

- (a) its normal net grant,
- (b) the receipts earned by it,
- (c) an amount that may be fixed as its working Capital 6 per cent. interest on which will be the first charge on its Receipts.

Rule V.

Every Expenditure will be subject to Budget provision. No proposals for Expenditure in excess of it shall be entertained without obtaining the concurrence of the Finance Department, which may be given either in the circumstance of Rule III or if the department has an equivalent amount of surplus balance at its credit brought over from the previous year. Expenditure incurred under Farman-i-Mubarak shall be the first charge on the Departmental grant unless the department has with the knowledge and agreement of the Finance Department, obtained His Exalted Highness' sanction to its not being charged to the Departmental grant.

Rule VI.

Percentage and scale charges payable under the rules on revenue collected as also refunds, rebates, and remissions of excess collections shall not be subject to Budget provision.

Rule VII.

The savings from Departmental grants shall be placed at the credit of the department concerned for expenditure during the years of the contract, but the savings by reduction under the following heads will lapse to Government :—

1. Mansabs and Special allowances
2. Yeomias, Mamuls
3. Rusums
4. Reductions under Irregular Troops
5. Tahrir of Sarishtadars
6. All sinecure allowances

Rule VIII.

Whatever measures of reform a department might desire to institute shall have to be within the grant allotted to it. If it includes any capital expenditure it must provide within its grant for the amount of interest at 6 per cent. on the capital required.

Rule IX.

The charges under Salaries and Allowances, Contingencies, and Supplies, shall be regulated by the scales, rules and regulations in force from time to time.

Rule X.

The departments shall have full powers of inter-appropriation of grants under Contingencies, Travelling Allowance and Tour Charges as well as special charges (Supplies and Services) excepting the grants in Rule VI.

Rule XI.

The savings under Salaries and Personal Allowances on account of appointments unfilled shall not be appropriated for the creation of permanent appointments, but may be utilised for the payment of arrears of pay or temporary appointments not costing more than the amount. Permanent reduction in establishment below the cadre fixed by Government on the recommendation of the Salaries Commissions can be appropriated for the creation of new appointments as well as for increase in contingencies, special charges and other improvements of the department.

Rule XII.

The provision for works under Forest, Buildings and Communications, Irrigation and Public Improvements and grants for petty construction and repairs placed at the disposal of each department shall not be appropriated for establishment and contingencies.

A. HYDARI.

Annexure B

Forecast of Normal Receipts and Expenditure

RECEIPTS

No.	Receipts	1881	Normal	Remarks
I-A	Land Revenue ..	300 83	303 40	Announcement of re-settlement expected.
I-B	Berar Rent ..	29 17	29 17	
II	Customs ..	100 00	107 40	Increased tariff and trade.
III	Excise ..	130 00	134 77	Conservation of Excise revenue expected.
IV	Opium	9 21	9 00	Falling tendency.
V	Forests ..	12 00	10 08	Falling actuals.
VI	Stamps ..	16 63	17 00	Increased litigation expected.
VII-A	Railways ..	15 94	18 54	English Income-tax reduced.
VII-B	Mines ..	1 03	1 20	
VIII	Registration ..	2 25	2 30	
IX	Interest ..	39 09	33 60	Interest allotted to the Reserves.
X	Post ..	8 00	9 30	Postal reforms anticipated.
XI	Mint ..	2	1 00	2% Coinage profits brought to Acct.
XII	Electricity and Workshop	1 34	1 02	Actuals falling.

RECEIPTS—(contd.)

No.	Receipts	1331	Normal	Remarks
XIII-A	Courts ..	3 00	3 00	
XIII-B	Jails ..	3 00	3 00	
XIV	Police ..	30	30	
XV	Education ..	1 30	1 00	Free Primary Educa- tion.
XVI	Medical ..	18	20	
XVII	Scientific and Miscellaneous.	75	55	Based on Actuals.
XVIII	Printing ..	1 00	79	do
XIX	Nazrana ..	11	10	do
XX	Contribution ..	1 48	1 48	do
XXI	Miscellaneous ..	2 27	2 00	do
XXII-A	Irrigation ..	10	1 00	Revenue due to Irri- gation separated.
XXII-B	General Branch ..	1 00	1 00	
XXIII	Military ..	15	15	
	Total ..	680 15	692 35	

EXPENDITURE

No.	Expenditure	1331 F. Net	1332 F. Scale	Normal	Remarks
1	Refunds ..	1 79	1 97	1 97	Average actuals.
2	Compensations .	11 50	12 84	12 84	Increased Excise compensation.
3	Land Revenue ..	54 50	52 07	52 20	Transfer of Treasury establishment.
4	Customs ..	13 20	12 22	13 40	Reorganization in view provided for.
5	Excise ..	9 40	8 67	9 10	Excise for Reorganization expunged.
6	Opium ..	40	40	40	
7	Forests ..	8 50	8 88	8 50	Provided grant for conservancy and works is not re-appropriated for establishment.
8	Stamps ..	2 25	2 49	2 49	Adjusted with Registration.
9-A	Railways ..	1 28	2 33	2 33	Increased Railway Police charges.
9-B	Mines ..	37	37	37	
10	Registration ..	86	45	45	Adjusted with Stamps.
11	Interest ..	14 50	19 00	19 00	Increased Government Debt.
12	Post Office ..	9 50	9 65	9 70	Expansion provided for.
13	Mint ..	1 89	2 60	2 60	Minting contingent charges and losses included.

EXPENDITURE—(contd.)

No.	Expenditure	1931 F. Net	1932 F. Scale	Normal	Remarks
14	General Administration.	29 00	32 39	32 00	Includes Treasury Est. Savings from Subadaries and Director of Industries to be adjusted between Secy : Development, Nazim Atiyat and Rev. Inspectors.
15-A	Courts ..	20 20	19 92	19 92	
15-B	Jail ..	8 50	8 09	8 09	
16	Police ..	55 00	56 04	56 04	
17	Education ..	54 00	59 00	62 00	Reserve for University 2 lakhs and General Expansion 1 lakh.
18	Medical ..	18,50	15 95	18 00	Includes Epidemic Prevention not to be re-appropriated for any other head.
19	Scientific and Miscellaneous.				
	1. Veterinary ..	3 80	3 55	3 95	For reorganization in view.
	2. Agricultural ..	2 24	67	1 67	For expansion 1 lakh.
	3. Co-operative Credit.	2 88	2 65	2 85	Do 20,000
	4. Industrial ..	2 11	60	60	Present scale for Experimental Laboratory.
	5. City Imp. and Public Gardens	8 64	6 64	6 64	
	6. Observatories	1	1	1	
	7. Archæological	67	37	37	
	8. Telephone ..	49	..	..	Charges adjusted to various Departments.
	9. Boilers Inspector. ..	16	16	16	

EXPENDITURE—(contd.)

No.	Expenditure	1331 F. Net	1332 F. Scale	Normal	Remarks
	10. Shikargah ..	78	86	86	
	11. Karkhanajat.	35	36	36	
	12. Stables and Motor Cars.	34	34	34	
	13. Gardens ..	39	39	39	
	14. Survey ..	55	56	56	
	15. Museum ..	7	4	4	
	16. Census ..	40	..	..
	17. Statistics ..	29	36	36	
	Reserve + 56 Saving—68 ..	—12	..	..
	Total ..	24 00	17 56	19 16	
20	Contribution to Municipality	7 12	7 12	7 12	Out of this 2·00 is for 1332 Fasli and 1·00 for 1333 Fasli, the usual normal is 5·12.
21	Payments to H.E.H. ..	50 00	50 00	50 00	
22	Mansabs ..	14 48	14 48	14 40	Lapses.
23	Rusums ..	8 00	7 00	7 00	Actuals.
24	(a) Pension .. (Jagir.)	90	90	90	
	(b) Service pen- sions ..	23 60	25 50	27 50	Expansion.
25	Special allowances ..	2 80	2 82	2 80	
26	Religious ..	9 00	9 47	9 70	For revision of salaries of Pesh Imams in view.
27	Receptions ..	9 80	1 80	1 80	Special provision for Royal visit expunged.

EXPENDITURE—(contd.)

No.	Expenditure	1881 F. Net	1882 F. Scale	Normal	Remarks
28	Printing ..	2 38	2 59	2 84	Includes :— Central, Osmania University, Ge- neral Adminis- tration, Police, Courts, Land Revenue, Milit- ary and Postal Presses.
29	Miscellaneous ..	6 44	7 31	7 31	
30	Payment of Debt	4	10 00	10 00	Unforeseen ex- penditure.
31	P.W.D.				Sinking fund for Redemption of Debt.
	Irrigation ..	39 00	36 20	100 00	
	General Branch	56 00	54 00		
	Flood Relief ..	15 00	15 00		
	Hyderabad Water Distribu- tion.	14 50	14 50		
	Royal Palaces .	30	30		
	Hyderabad .. Drainage	..	..	10 00	
	Total P.W.D....	124 80	120 00	110 00	
32	Military :—				
	A—Regular Troops	22 15	21 82	21 82	
	B—I. S. Troops	12 00	11 75	11 75	
	C—Golconda Brigade	5 20	5 35	5 35	
	D&E—Irregular Troops and Powder Factory	25 15	27 11	26 50	Reduction anti- cipated.
	Total Military .	64 50	66 03	65 42	
35	Famine	2 00	15 00	15 00	Famine Reserve.
	Grand Total .	665 00	682 91	682 85	

Annexure C

Classification of Head of Receipts and Expenditure

A. Principal Heads of Revenue.

- I-A. Land Revenue.
- I-B. Forest Rev. collected by Land Rev. Officers
- II. Forests
- III. Customs.
- IV-A. Excise.
- IV-B. Opium and Ganja.
- V-A. Stamps.
- V-B. Registration.
- VI. Mines
- AA. Berar Rent.
- VII. Berar Rent.

B. Interest

- VIII. Interest.

C. Mint, Paper Currency and Exchange.

- IX. Mint.
- X. Paper Currency.
- XI. Exchange and Remittance.
- D. Post Office.*
- XII. Post Office.

A. Direct Demands on Revenue.

- 1-A. Land Revenue Administration.
- 1-B. Land Irrigation.
- 2. Forests.
- 3. Customs.
- 4-A. Excise.
- 4-B. Opium and Ganja
- 5-A. Stamps.
- 5-B. Registration.
- 6. Mines.

B. Interest and Debt Redemption.

- 8-A. Interest.
- 8-B. Sinking Fund or Redemption of Debt.

C. Mint, Paper Currency and Exchange.

- 9. Mint.
- 10. Paper Currency.
- 11. Exchange and Remittance.
- D. Post Office.*
- 12. Post Office.

E. Payments to H.E.H.

- 13. Payments to H.E.H.

F. Administration charges.

F. A. General Administration.

- 14. Genl. Administration.
- 1. Peshkar's Tahrir.
- 2. President and staff.
- 3. Members of Council.
- 4. Secretaries.
- 5. Accounts Audits & Treasuries.
- 6. State Record, Census and Statistics.

15. Political charges.
 1. Minister's Palace Estt.
 2. Shikargah.
 3. Karkhanajat.
 4. Government Stables.
 5. State Receptions.
 6. Residency Gardens.
16. Service Pensions & Riyayati
allice. (adjusted.)
17. State Life Insurance.
18. Mansabs, Imtyazis & Special
allowances.

F. B. Defence.

19. Military.

F. C. Internal Protection.

20. Courts.
21. Jails.
22. Police.

F. D. Internal Development.

23. Education.
24. Medicine and Sanitation.
25. Religious.
26. Agriculture.
27. Veterinary.
28. Co-operative Credit.
29. Misc. Minor Depts.
 1. Observatories
 2. City Survey.
 3. Dominion Survey.
 4. Archæology and Museum.

*F. E. Miscellaneous and
Public Improvements.*

30. Municipalities and Pub. Impts.
 - A. City and Suburbs.
 1. Hyd. Municipality.
 2. City Impt. Board and
Public Gardens.
 3. Hyd. Water Distribution
and Water Works.
 4. Hyderabad Drainage.
 5. Flood Remedial Works.
 - B. Districts.
 1. Contrn. to Dist. Muni-
cipalities and Local Funds
 2. Gardens.

F. F. Buildings.

31. Buildings & Communications.

G. Commercial and Quasi-Commercial Concerns.

XXXII.	Irrigation.
XXXIII.	Railways.
XXXIV.	Electricity (net profit).
XXXV.	Workshop. ,,
XXXVI.	Printing ,,
XXXVII.	Telephone ,,
XXXVIII.	Industrial ,,

H. Development.

XXXIX. Development Dept.

I. Famine Relief and Insurance.

XL. Transfers from Famine Insurance Reserve.

J. XLI. Miscellaneous.

Total Receipts.

Departmental Adjustments.

G. Commercial and Quasi-Commercial Concerns.

32.	Irrigation.
33.	Railways.
34.	Electricity (net loss).
35.	Workshop. ,,
36.	Printing ,,
37.	Telephone ,,
38.	Industrial ,,

H. Development.

39. Development Dept.

I. Famine Relief and Insurance.

40-A. Famine Relief.

B. Transfers to Famine Insurance Fund.

J. 41. Miscellaneous.

Total Expenditure.

Departmental Adjustments.

*Surplus.**Deficit.**Capital and Investments.**K. Capital outlay recovered.*

KA.	Irrigation.
KB.	Railways.
KC.	Electricity.
KD.	Workshop.
KE.	Printing.
KF.	Telephone.
KG.	Industrial Concerns.
KH.	Development Department.

L. Investments cashed.

M.	Government Debt.
N.	Reserve Funds.
O.	Deposits bearing Interest.
P.	Do not bearing Interest.
R.	Advances bearing Interest.
S.	Do not bearing Interest.
T.	Remittances.
U.	Suspense.
V.	Opening Balance.

K. Capital outlay not chargeable to Revenue.

KA.	Irrigation.
KB.	Railways.
KC.	Electricity.
KD.	Workshop.
KE.	Printing.
KF.	Telephone.
KG.	Industrial Concerns.
KH.	Development Department.

*L. Investments of surplus balances
Debt Heads.*

M.	Government Debt.
N.	Reserve Funds.
O.	Deposits bearing Interest.
P.	Do not bearing Interest.
R.	Advances bearing Interest.
S.	Do not bearing Interest.
T.	Remittances.
U.	Suspense.
V.	Closing Balance.

Budget Note for 1332 Fasli

I PROPOSE first to explain how far the Finance Department has been able to carry out certain measures, I had sketched out in my last Budget Note, the object of which was to exhibit our financial condition in its true perspective, ensure a fairer distribution of our financial resources and encourage greater thrift in their expenditure. These measures were three:—

- (a) A revision of the classification of the heads of receipts and disbursements,
- (b) The earmarking of the different funded investments under separate reserves.
- (c) The departmentalisation of the finances.

The main object of the first of these measures—revision of the classification of the heads of accounts—was to show each class of receipts and expenditure in its correct proportions, so that extraordinary items could be distinguished from ordinary, and capital items from service items. Thus receipts like *profits from Osmania Sicca Coinage* (which cannot be depended upon as a regular source of income) or *sales of funded investments* (which are not even any income at all but only an alteration in the form in which our surplus balances are held), should not be mixed up with ordinary sources of revenue; nor should extraordinary items of expenditure like, for example, famine, which comes inevitably but after a cycle of years, be all exhibited as a part of, and thus exaggerate, the ordinary expenditure of the year in which it occurs. The working expenses of Commercial and Quasi-Commercial concerns should not be mixed up with their capital outlay, but the proper revenue and capital account of each such concern should be separately shown; also, expenditure heads which, like Miscellaneous or Refunds, convey no idea of the exact department to which the constituent items of expenditure under them pertain, should be broken up and the expenditure exhibited under the proper head of the department to which they relate.

The following gives a brief conspectus of the new grouping which has now been determined upon after very prolonged discussion and thought :—

- A. Principal Heads of Revenue,
- B. Interest and Debt Redemption,
- C. Mint, Paper Currency and Exchange,
- D. Post Office,
- E. Payments to His Exalted Highness,
- F. Administration charges, which include :—
 - (a) General Administration,
 - (b) Military (*Defence*),
 - (c) Justice, Jails and Police (*Internal protection*),
 - (d) Departments of *Internal Development*, like Education, Medical, Sanitation, Religious, Agriculture, etc.
 - (e) Municipalities and Public Improvements,
 - (f) Buildings and Communications.
- G. Commercial and Quasi-Commercial concerns.
- H. Development,
- I. Famine Relief and Insurance,
- J. Miscellaneous,
- K. Capital outlay (of Commercial and Quasi-Commercial concerns),
- L. Investments of balances and Sales of funded investments,
- M. Government Debt,
- N. Reserve Funds,
- O. Deposits bearing Interest,
- P. Deposits not bearing Interest,
- R. Advances bearing Interest,
- S. Advances not bearing Interest,
- T. Remittances.

I am also attaching herewith for the information of my Hon'ble Colleagues, the List of revised Major, Minor and Detailed Heads, which are being issued for the use of our Account and Treasury Officers, with instructions in detail as to how every account of receipt and expenditure should be booked.

It will be observed that the main changes in the classification that have been made are the following :—

1. The different heads have been arranged according to a definite principle and the numbers against each Major Head on the Receipt and Expenditure side have been made identical. First come the heads relating to the principal Heads of Revenue and then of other sources of Receipts like Interest, Mint, Post Office. Then come heads relating to what are mainly Expenditure Heads.

2. The receipts of Civil Departments like Education, Medical, Police, etc., which are very small and incidental, will not be shown on the Receipt side, but the Expenditure will be shown net in the published accounts.

3. Refunds instead of forming one separate Major Head for all kinds of revenue, will be deducted from the Revenue Head concerned. In the same way, Compensations will not all be debited together to one Major Head, but to the Head concerned. The same procedure has been followed with regard to Jagir Pensions and Rusums.

4. The head "Miscellaneous" used to have all kinds of items including Receipts on account of Sale of Promissory Notes and Investments. These have all been separated and placed under proper heads.

5. One Major Head—Scientific and Miscellaneous Departments—had a large number of different departments grouped under it. Some of these departments like Telephone have now been transferred to Commercial and Quasi-Commercial concerns and others like Agriculture, Veterinary, Co-operative Credit, Industrial have been made separate Major Heads and brought under Administrative Departments (Internal Development).

6. Separate heads have been opened, for Famine Relief, in which it is proposed to lay aside every year a fixed amount for this uncertain but necessary expenditure; for Sinking Fund for the redemption of debt, for the different Reserve Funds and for Investment of surplus balances and their Sales.

7. The Petty Repairs grants under Public Works have been transferred to each Major Head, to which they appertained and under the controlling department of which they are spent, likewise Telephone Fees.

In future every fresh proposal for increase in salary must provide 1/9th thereof for pension from the Departmental Grant. For the time being the actual pensionary

charges have been distributed amongst the different departments on the basis of the expenditure on salaries ; at the same time a separate account will be kept as to how the distribution would have proceeded had 1/9th been debited to each department and been constituted into a fund, and the fresh pensionary charges debited against this fund, so that later on it may be possible to debit the pensionary charges upon the basis of actual pensionary liabilities.

I have adopted in the next Budget the new classification, but for the sake of facility of comparison with last year's figures, I have also added in a supplementary part, the figures according to the old classification, in details of Sub and Minor Heads, referring for further details to the relevant pages of the main Budget.

The second measure, was to earmark the different funded investments under separate reserves according to the sources from, or the objects for, which they have been constituted. Government holds certain Rupee investments in the form of Government of India War Bonds and Loans and various Municipal and Port Trust Debentures, which were in 1931 F., of the face-value of B.G. Rs. 4,71,76,500. There were in addition, Sterling Investments, mainly Nizam's Railway and Mining stock, of the total face-value of £2,075,480. These latter are capital stock and debentures, which have been issued by the Broad and Metre Gauge Sections of the N.G.S. Railway to meet their capital requirements and have been taken up by Government so as to provide a profitable investment, whilst at the same time reduce the price which will have ultimately to be paid for the redemption of these lines about 10 or 20 years hence. Being Sterling Investments they have always been set apart earmarked for Railway purposes. It is the B.G. investments which are not only from the accumulated surpluses of previous years but are also partly the result of the coinage of Osmania Sicca Rupees and issue of Paper Currency Notes and which therefore require differentiation. They have now been set apart under different reserves as follows :—

- (a) Section (9) of the Hyderabad Paper Currency Act (II of 1927 Fasli) provided that not more than one-third of the total value of the notes in circulation might, in lieu of cash, be kept in securities of the Government
1. Paper Currency Reserve.

of India or of this Government or of any Company working or owning any Railway in the Dominions. The total circulation is Rs. 1,51,07,000, O.S. British Government Promissory notes of the face-value of B.G. 37,27,500 have been earmarked for the Paper Currency Reserve.

- (b) The second reserve that has been constituted is, what used to be called the 'Kaldar Reserve' but which might with greater correctness be termed the Osmania Sicca Stabilisation Reserve. By measures, similar to those by which the Government of India were able to keep a fixed ratio between their rupee and the English Pound Sterling after the closing of the Mints up to the Great War, this Government also has been able to prevent the fluctuations of value between the Osmania Sicca and the B.G. Rupee going much beyond their respective silver content, which is 116-14-7 O.S. to 100 B.G. the limit of appreciation of the Osmania Sicca being kept at about 114 and 115 O.S. and of depreciation at about 119 or 120 O.S. to 100 B.G. Rupees. The minted value of the Osmania Sicca rupee is thus, as in the case of the B.G. Rupees very much in excess of its bullion value; and the difference, after deducting the cost of minting, which comes on an average to about 2 per cent. of the value of the coins minted, represents Profits on Coinage. This amounted in the period 1313-1319 to Rs. 145·03 lakhs or deducting 2 per cent. as seigniorage to cover the Mint charges, the net amount of profits was Rs. 127·27 lakhs. From 1320-1330, the figures for these profits are Gross 125·52 less 2 per cent. seigniorage 23·24 Net 102·28. These profits, thus amounting in all to 229·55, must be invested and set apart in a reserve so as to be available, whenever the necessity arises, to prevent (by purchase of Osmania Sicca for B.G. Rupees) the depreciation of the Osmania Sicca below or (by the purchase of silver and the minting and issuing of fresh Osmania Sicca)
2. Osmania
Sicca
Stabilisation
Reserve.

its appreciation beyond, the normal fixed points.

In order to strengthen this Reserve, His Late Highness in his *Firman* of the 9th Ramzan 1329 H. had commanded 95 lakhs being added to it in addition to the profits from coinage that had accrued at that time, as a supplementary reserve, to meet any extraordinary demands for B.G. Rs. and keep up the Osmania Sicca exchange. During 1320-1330 however, there have been losses on sale of silver which had been purchased for minting, amounting to about 60½ lakhs and losses on the sale of Government Promissory Notes that used to be in this Reserve, amounting to about 12 lakhs, making in all 72½ lakhs. Deducting this from the 95 lakhs, there is a balance of 22½ lakhs, which should be added to the profits of 229·55. Accordingly British Government Promissory Notes of the face-value of 2½ crores have been set apart for the Osmania Sicca Stabilization Reserve.

(c) A third Reserve has been constituted as Sinking Fund for the Redemption of Loans, floated by His Exalted Highness' Government from time to time. Our present unredeemed debt is as follows :—

3. Redemption of Debt Reserve.

	Lakhs.
(a) 6 per cent. Promissory Notes issued in 1307 F. payable after 1st Khurdad 1326 F. ..	15·30
(b) Long term loan of 1327 F. payable after 1st Dai 1339 but not later than 1st Dai 1341 F. . .	70·44
(c) Long term loan of 1327 F. issued in 1329 F. payable after 1st Bahman 1352 F. ..	102·06
(d) Loan issued during this year repayable on or after the 15th Bahman 1351, but not later than 15th Bahman 1361 F.	72·82
Total ..	260·62

The earliest date for the redemption of the 1307 Loan is past, and it is desirable that this should be first paid off. With regard to each of the other three loans, it has been calculated that had a Sinking Fund for them been started at the time of their issue,

4·69 lakhs should have been set apart every year for the loan of 1327 F., 2·78 for the loan of 1329 and 2·45 for the last loan which was floated this year, making a total of 9·92 lakhs. Thus it has been calculated that 10 lakhs set apart and re-invested every year will meet the paying off of these loans, when they mature. It is, therefore, necessary to set apart 50 lakhs just now for the redemption of our debts, so as to pay off the 1307 loan and to bring our reserve for the redemption of our other debts up to date ; and in future to lay aside 10 lakhs every year as part of the ordinary expenditure of the State to redeem the loans on the due dates. Calculation for the redemption of these loans has been made on a 4 per cent. basis, whereas many of the Government Securities, which have been earmarked, will carry for a considerable time a higher rate of interest. This, however, will cover any delay, sometimes unavoidable, that may occur in the prompt investment of the interest. The amount thus set apart in this fund will be either re-invested or, if possible, utilized in purchasing any notes of these loans that might come in the market, so long as it does not tend to unduly and artificially raise their value for Government as against private purchasers.

(d) **4. Famine Reserve.** The fourth is the Famine Reserve. As I had stated last year, this is amongst those classes of expenditure which come inevitably but after a cycle of years and therefore, a due provision every year should be made for them. It has been calculated that on an average, not taking into account any loss of revenue (which should be met from the accumulation of surplus balances in good years), the cost of famine expenditure would be about 3 crores in 20 years. It is proposed therefore, to lay aside 15 lakhs a year for this purpose.

(e) **5. Railway Reserve.** The fifth reserve is the Railway Reserve. His late Highness in his *Firman* of the 24th Jamadi-ul-Awal 1328 H. ordered a Railway

Reserve to be started with an investment of one crore B.G. Rupees, to which should be credited the interest accruing on it from time to time, with a view to meet the expenditure on the Metre Gauge line from Wadi to Gadag, then in contemplation. This investment must now be considered as having been spent up in constructing the Secunderabad-Gadwal Railway, which has taken the place of the Wadi-Gadag Railway. His Exalted Highness has, however, in another *Firman* dated 22nd Shaban 1334 H. commanded that 78 lakhs should be invested in the new 4 per cent. Conversion Loan of the Government of India so that it might help Government in their purchase of their Railway in 1934 and also be a help to the Government of India in their War Loan. These 78 lakhs with interest come to 96,72,000 and must under present orders remain intact and receive accretion of interest from time to time.

The interest on the Paper Currency Reserve and the Currency Stabilization Reserve will be credited to General Revenues.

After making provision for reserves as above, there remain Rs. 22,77,000 in the General Reserve as representing investments of accumulated surpluses or interest on these reserves.

The following table exhibits our present holdings and the distribution of the Reserves as proposed above :—

Name of Security	Total	Paper Currency Reserve	O.S. Stabn. Reserve	Debt Sinking Fund	Fam-ine	Rail-way	General
5½ per cent. War Loan	·08½	..	..	..	..	..	·08½
5 do do ..	312·50	37·27½	250·00	25·22½	..	..	..
5 do Municipal	·18½	..	..	..	..	..	·18½
4 do Conversion	88·00	..	..	..	..	88·00	..
4 do Municipal	75·99½	..	..	24·77½	15·00	13·72	22·50
Total ..	471·76½	37·27½	250·00	50·00	15 00	96·72	22·77

For the purposes of calculation the value of the B.G. Securities has been taken as equivalent to their face-value in O.S. in view of their depreciated market price.

III. Department-
alization of
Finances.

I now come to the third measure of which the other two are independent but also in a way preliminary and that is what I called the *departmentalization of the finances* in my last Note. I had explained in that Note what I meant by this term, which has also been termed the rationing of the departments, *viz.*, "To fix the total grant of each department for a number of years and give it a large measure of autonomy within that grant, subject of course, to such general restrictions as are necessary to avoid any undesirable developments or precedents, and subject also to a rigid and really effective audit. The department must carry out whatever measures of reform it might desire to institute within this grant. If it happens to have any proposals for Capital Expenditure, it must provide, within its grant, for the amount of interest by which the earnings of the project fall short of the interest charges, incurred by the State in financing it." I had then explained why this procedure had become necessary. Hitherto the procedure in framing the Budget was to scrutinize the demands of each department separately and independently and to give it an allotment for any expenditure that the Finance Department considered was desirable and not too extravagant. After the Expenditure Budget had been thus framed, the Budget of Receipts was framed towards the end with reference to the seasonal conditions which then existed. This procedure of framing the Expenditure Budget without reference to the Receipts Budget did not hitherto give rise to any difficulties, because there was a very wide margin between the two, and however liberal the grants that might be made to departments, the total expenditure fell far short of the anticipated receipts in a normal year. Now however, there is not this wide margin. The Receipts and Expenditure have come practically to balance each other and our expenditure has now to be regulated with a strict reference to the income. It is therefore, necessary to make a forecast of our income and then to allocate it to the different departments for a certain number of years. Each department would thus know what the minimum grant is, which it could count upon for a number of years and prepare its programme accordingly. It would have an incentive in making the most economical use of its grant, and would on the other hand be precluded, unless there was any surplus actually in the coffers of the State, from launching into any scheme that would ultimately be beyond

the funds allotted to it. This principle was graciously sanctioned by His Exalted Highness in his *Firman* of 24th Moharam 1340 H. and with a view to giving practical effect to it from 1332 F., certain detailed rules were framed, which have been, I am glad to say, accepted by the Council without practically any modification, except that they have provided that 50 per cent. of the accumulated balance at the credit of each department will be carried forward to its credit for the next period of the contract instead of its being left to the circumstances of the time to decide whether any, and if so what, amount should be so transferred.*

The next budget has been framed and discussed with due regard to these rules. Each department has been started with a budget grant equivalent to what would have been its share in 1332, after taking into account the receipts that we could count upon, on the assumption of the season being normal that year, and also the needs of

* The main features of these Rules, a copy of which as finally passed is annexed (p. 44) are :—

1. That the grants allotted to each department shall be fixed in the first instance for 3 years beginning from 1332 Fasli, provided that if any particularly adverse circumstance like famine or severe scarcity arise they will be liable to curtailment.

2. If there is any increase at the end of the year over the normal receipts, the excess will be allotted to the different departments, including the Finance Department for investment, in such a way as Government may decide.

3. Post Office and Departments under "Administration" will be entitled to spend, in addition to their normal grants any increase in their receipts and the proceeds of any fees or cess they may impose lawfully for their service.

4. Commercial and Quasi-Commercial Departments shall be given their normal net grant, if any is fixed for them, and the receipts earned by them, from which all working expenses, including depreciation charges, will have to be defrayed. If any of these departments want further expansion of capital 6 per cent. interest shall be charged in the additional capital sanctioned.

5. All expenditure will be subject to budget provision and limited to the amount at the credit of each department from year to year. In special circumstances a special allotment for expenditure in advance may be given to a department if Government is satisfied that the additional expenditure will be covered by a corresponding increase in its receipts.

6. Charges under salaries, allowances, contingencies and supplies will be regulated by the scales, rules and regulations in force from time to time.

7. Provision for Works shall not be appropriated for establishment and contingencies, whilst savings under Mansabs, Yeomias, Rusums, Irregular troops, tahrir and all sinecure allowances will lapse to Government and not be available for appropriation.

the new departments that have come into being and will be working during the period of the contract.

There are two directions at least in which it is hoped this measure will lead to considerable economies in administration and which perhaps the Finance Department by itself could not so easily have effected without granting the measure of autonomy the principle allows.

The first is with regard to the expenditure on salaries. The increased charge on this account both Gazetted and Non-Gazetted since the War has, as I pointed out in the last Budget Note, been one of the more important factors in reducing the wide margin that had previously existed between our receipts and expenditure. It was however, understood that these increases would at least to some extent be met by reductions in the total strength of the establishments. These reductions, it is certain, can be best effected only by each department itself, best informed as it is of its own needs ; and this it would have an incentive to carry out, if it realizes it to be its only certain resource for carrying out any measure of reform it might contemplate.

The second direction, in which the Finance Department has always foreseen a possibility of considerable economy, is in the contingent expenditure of the departments, especially in their stationery and printing bills. A special allotment of 50 per cent. had hitherto been given for high prices of materials, but on a calculation of the needs of several of the large departments, it has been found that even if higher prices have to be paid for than before, it is quite possible to effect considerable economies in the quantity and quality of the materials purchased. This extra grant, therefore, will not be allowed in future. The savings on this account would aggregate to over two and a quarter lakhs.

It will thus be observed that the three measures to which the Finance Department promised to address themselves this year have been effected and for this we are particularly indebted to Mr. V. M. Datar, Assistant Accountant-General. It would have been almost impossible for us to have done so but for the thoroughness and industry with which Mr. Datar has worked day and night for months past in the Finance Office, where he was placed on this special duty. He is mainly responsible for the preparation of the 50 years figures of our receipts and expenditure, both according to the accounts as published

in the past and also with the adjustments according to the revised classification of heads, we propose to adopt in the future; in which he has also given most useful and instructive analyses of salaries, contingencies, etc., of different departments for a series of years. The instructions, with regard to Major, Minor and Detailed heads according to the revised classification, to which I have referred, have been compiled by him and he has submitted most interesting notes and elaborate calculations, on which I have reached my decisions with regard to the amounts that should be placed under the different reserves and the amounts that should be fixed as the forecast of our normal receipts and expenditure.

I now proceed to discuss the main facts and figures of the three years with which this Note deals.

Ways and means
1330 F.

Owing to the very unfavourable seasonal conditions of 1329 Fasli, it was expected that the year 1330 Fasli would be a deficit year. The deficit has turned out to be 57·53 lakhs and the famine expenditure (after transfer of Rs. 39·46 to Debt Heads for famine takavis) 41·38 lakhs. In addition, Capital Expenditure especially in connection with Railways, which could not be stopped, has amounted to 70·48, and the excess disbursements under Debt Heads on account of advances, etc., have amounted to 17·52 lakhs. This aggregate of 186·91 lakhs outgoings in excess of receipts which was required in 1330 Fasli has been found in the first place, by the sale of Government Promissory Notes amounting to 106·95 and the rest (79·96) from the cash balances which were in the beginning of the year 601·01 and at its close 521·29.

The Budget of the year that is now closing was based on expectations of normal seasonal conditions, which fortunately have been justified. This has enabled us to finance almost a crore of capital expenditure without practically any diminution in our balances with the help of a loan of considerably less amount, that was floated in the beginning of the year. One of the objects of this loan was also to prevent the capital of the State going outside the Dominions to other loans, competing on much more favourable terms than those offered by us. The fact that more than the full amount of the loan 50 lakhs was subscribed at 6 per cent. par is an indication of the high credit which His Exalted Highness the Nizam's Government enjoys.

Ways and means
1331 F.

The cash balance which opened with 521·29 is expected to close with 501·43. There is an apparent diminution of 19·86 but it is more than counterbalanced by the additions to our investments of Railway Debentures and Debentures of the Singareni Collieries and Shahabad Cement Company (amounting in all to 26·83 lakhs) purchased in accordance with our policy of investing our surplus cash balances in Industrial enterprises within the State.

The rainfall in 1330 Fasli, however good has not been enough to make up for the deficiency of the three preceding years of famine and scarcity. Crops have matured all right in most of the districts but the tank water level still remains low and the sub-soil water has not risen to the level from which it had receded during the famine years. During the present year the rainfall in Marathwara gives promise of a good crop ; Telingana has not been similarly favoured, though a great deal of the nervousness, with which the budget figures were being prepared a few days ago, has been dispelled by the rains we have had recently and it is hoped that the Madras current will bring in copious rains and thus finally remove all further sources of anxiety.

Adopting the revised classification for the figures of both 1331 and 1332 Fasli, the total service receipts are expected to be 700·69 as against 678·55 and the service expenditure 694·35 as against 663·40. The surplus is thus expected to be 16·34 lakhs. It includes on the one hand 10 lakhs of receipts which are expected by the newly created Development Department and on the other side a special grant of 8 lakhs to that department for this year in addition to a normal grant of 7 lakhs every year. The surplus, it should be borne in mind, is after provision has been made, from the ordinary receipts, of 10 lakhs for debt redemption and 15 lakhs for the Famine Reserve.

The Estimate for Land Revenue is practically the same as what was made this year ; it is however anticipated that the new revision of settlements might bring in somewhat more. Customs is expected to give 15 and Excise 4 lakhs more.

On the Expenditure side the P.W.D. grant has been decreased by 14·80 lakhs. The decrease however does not mean a higher percentage of Establishment to Works as there is in the first place the extra grant of 8 lakhs under Development which is for roads and there is also the

provision for Irrigation Works not chargeable to Revenue which will be executed by the same establishment. The disappearance of 8 lakhs which were provided last year for H.R.H. the Prince of Wales' visit also improves the Expenditure position of the next year's Budget.

On the other hand, in the expenditure side a special provision of 2 lakhs has been made for increased expenditure in the Osmania University in connection with the establishment of the Engineering and Medical Faculties ; 3 lakhs for Secondary and Primary Education including increased provision for Technical Education ; 1·87 lakhs for increased provision for Railway Survey, Railway Police, etc. ; and 2¼ lakhs for the working of the Military Department at their full strength and increased pay to their clerical staff.

Thus our financial position, so far as ordinary receipts and expenditure are concerned, is one of stable equilibrium, where the normal ordinary receipts cover the normal service expenditure, after making due provision for Famine Reserve and the repayment of loans, and yet leave a fair surplus which is not too large to afford any room for adverse comment of more being taken from the pockets of the people than is necessary. At the same time it will be observed that the surplus is not so large as in the years gone by. If any department wants in future to expand and to have an increased grant, as for example, the Military Department pressed this year for and had to be refused an additional grant of 18½ lakhs, Medical of 3¼ lakhs and Education of 8 lakhs over and above the increases given to them, it must wait for more revenues coming into the coffers of the State, from Land Revenue, for instance, under revised settlements, or Customs under stricter administration or an improved tariff or more prosperous trade or must reorganise itself so as to find room for the required improvement within its grant.

The problem however of financing the capital Expenditure, especially for our Railway programme, is more difficult. For 1332 Fasli provision for Capital Expenditure amounting in all to 138·90 lakhs has been made and may be divided into two classes (I) Capital Expenditure to which Government is already committed, (II) Capital Expenditure with regard to which no such commitment has yet been definitely entered upon.

Capital Expenditure.

I. In the former are the following :—

- (a) 14·06 lakhs for Works for which no further capital commitments are anticipated hereafter as they are for concerns that are expected to become financially independent, *viz.*, 7 lakhs in the Electricity Department for the balance of expenditure for the new Power House ; 1·50 lakhs for equipping the Mint Workshop with machinery to enable it more efficiently to discharge the functions of being an institution for technical and later on technological training ; 1·68 for equipping the Government Press with plant, etc., to cope with increased printing ; 1·94 for the reorganization of the Telephone System ; and 1·94 for the completion of the Mohwa Alcohol Factory.
- (b) 92·50 lakhs for equipment of the railways already under construction or under promise of completion, *viz.*, the Gadwal-Kurnool line, the Kazipett-Bellarshah line,—Southern Section, and the K. K. Collieries line. It is expected that the completion of this programme will require 33 lakhs B.G. in 1333 F. The Northern Section is estimated to cost 145 lakhs B.G. which could be distributed over two or three years.

The commitments on the above two accounts will amount to 106·56 in 1332 Fasli. Financing these from our surplus cash balances will leave the closing Cash Balance at the end of 1332 at 442·20 which is well within the margin of safety required for conducting our transactions, in the absence of any abnormal drain like that for famine.

II. The amounts entered for Capital Expenditure for which no definite commitments have yet been entered upon are the following :—

- (a) 17·34 lakhs for Development Railways. This amount is for survey of railway lines in the development area and for completion of earthwork, etc., on the route that might be fixed upon as the result of the survey.
- (b) 15 lakhs for Irrigation Works not chargeable to Revenue. Mr. Ahmed Ali, the able

Chief Engineer for Irrigation has submitted several interesting projects for the utilization of the waters of the Tungabhadra, the Manjira and other streams, the return on which, at a conservative estimate, he anticipates to be nearly 6 per cent. These projects are now before the Revenue Department for scrutiny of their revenue forecast.

With regard to the provision for Development Railways, it should be remembered that the amount, that the Finance Department has agreed to provide for next year, is what will, even if no Railway is constructed, give the undeveloped districts through which the route passes an excellent and much needed road which could be used for motor and animal traffic. Thus Government in the Finance Department has still reserved the discretion to decide when, how and at what rate the Railway should be built, of which this will be the first and the least expensive part, costing about Rs. 15,000 a mile out of a total of about $\frac{1}{2}$ a lakh rupees a mile. His Exalted Highness has commanded that the Development Department should be self-supporting. So far as its administration is concerned, this condition has been met by the transfer to it of officers and grants consequent on the abolition of the two Commissionerships and the Directorship of Commerce and Industries. With regard to expenditure on Works it has been met from an equivalent reduction of the P.W.D. Budget. As to the rest, the financial aspect of the scheme presents itself to me in this way. The capitalised value at 6 per cent. of the total Land Revenue for all time at which the tracts under that department will be permanently settled, (*viz.*, the payment of Rs. 2 immediately and of one anna yearly from the 5th year to Rs. 2 per annum by progressive increments in 24 years) is, on the *assumption* that the revenue is realised without fail regularly from year to year, Rupees 15·1 per acre ; the condition therefore, laid down by His Exalted Highness will be satisfied provided the capital expenditure is limited to this figure for the number of acres of land *actually* taken up and provided also adequate safeguards are adopted for ensuring the regular and continuous realization of the Revenue ; the increased revenues from such capital expenditure and from other heads being *assumed* to cover increased charges of administration, which will necessarily devolve as a consequence of the development of these areas.

With regard to Capital provision for Irrigation Works I do not anticipate that the adequate scrutiny of any of their projects will enable as much as the full amount of 15 lakhs we have provided for being utilised in 1332. The Finance Department will thus have time to determine what amount and from what source they could give annually for a fixed number of years on this account to the Irrigation authorities. In the case of all such large works, it is necessary in the interests of Government, that they should be proceeded with cautiously, but continuously, at a definite pace, without interruption from inadequacy of funds.

If both these provisions (amounting in all to 32·34 lakhs) are also required in 1332 Fasli, and met from our cash balances, the Cash Balance at the end of 1332 will be further reduced to 409·86 lakhs and though even this balance should suffice to meet our service and debt head transactions under normal conditions, the rate of our commitments for capital expenditure in the years that follow must be determined by the extent to which Government can discover further suitable means for financing them. The raising of a loan is one of the most obvious of these ; but the Finance Department has always jealously to see that this is done in suitable conditions of the money market, in a way that will not in any manner tend to bring down the credit of the State from the high level to which it has attained at present.

There remains the provision on account of purchase of Railway Debentures, 17·50 lakhs ;
Investments. 3½ lakhs on account of balance of 5 lakhs of 8 per cent. Debentures, subscribed in the Shahabad Cement Company and 19·84 lakhs balance of 20 lakhs invested in the 8 per cent. Debentures of the Singareni Collieries. It is open to Government to finance these if need be, from the amounts that are at their disposal in some of the reserves including the General Reserve, as they are only a form of investment in which some of our reserves can well be kept. But even if they are met from the cash balances, the cash balance will be 369·02 which will be still within the margin of safety if no adverse conditions of seasons, etc., develop themselves in the course of the year.

A. HYDARI,

Finance Member.

3rd Aban 1331 F.
8th September 1922.

Annexure A

Departmentalization Rules

[*Passed by the Executive Council of H.E.H. the Nizam's Government on 27th Aban 1331 F.*]

Rule I.

The grants allotted to each department shall be fixed for 3 years beginning from 1332 Fasli provided that—

- (a) if any particularly adverse circumstance like Famine or severe scarcity arise, they will be liable to curtailment.
- (b) if there is any increase at the end of the year over the normal Receipts, the excess will be distributed by additional allotments to the different departments in such a way as Government may decide.

Rule II.

Each of the spending departments noted in the margin will be entitled to spend in addition to its normal grant any increase in its Receipts and the proceeds of any fees or cess, etc., that may be imposed lawfully for the service of that department.

Rule III.

A department may be given in special circumstances a special allotment for expenditure in advance, if the Government is satisfied that the Expenditure will be covered by a corresponding increase in the Receipts.

Rule IV.

Each of the Commercial and Quasi-Commercial departments mentioned in the margin shall have :—

Post Office and
Departments
under "F."
Administration.

Printing, Electri-
city, Workshop,
Telephone, In-
dustrial con-
cerns, Jail in-
dustries.

- (a) its normal net grant if any is fixed.
- (b) The receipts earned by it out of which it will have to defray all working expenses

inclusive of depreciation charges and to pay to Government whatever profits the circumstances of the department permit. If any of these departments is allowed further expansion of capital, 6 per cent. interest shall be payable to Government for the additional capital sanctioned and shall be the first charge on its gross Receipts.

Rule V.

Every expenditure will be subject to Budget provision. Expenditure in excess of the normal grant will be allowed either in the circumstances of Rule III or if the department has an equivalent amount of surplus balance at its credit brought over from the previous year. Sanction under Royal Commands issued without the initiative of the department will be in addition to the normal grant and will be in excess of the Budget provision.

Rule VI.

Percentage and scale charges payable under the rules on revenue collected as also refunds, rebates, and remissions of excess collections shall not be subject to Budget provision.

Rule VII.

The savings from departmental grants shall be placed at the credit of the department concerned for expenditure during the years of the contract, and at the end of the third year, one half of the amount of the unexpended surplus of each department will be carried forward to its credit for the next period of the contract but the savings by reduction under the following heads will lapse to Government :—

1. Mansabs and special allowances.
2. Yeomias, Mamuls.
3. Rusums.
4. Reductions under Irregular Troops.
5. Tahrir of Sarishtadars.
6. All sinecure allowances.

Rule VIII.

If any department desires an increase for its capital beyond the capital grant already provided it must provide within its grant for the amount of interest at 6 per cent. on the capital required.

Rule IX.

The charges under salaries, and allowances, contingencies, and supplies, shall be regulated by the scales, rules and regulations in force from time to time.

Rule X.

The departments shall have full powers of inter-appropriation of grants under contingencies, travelling allowances and tour charges as well as special charges (Supplies and Services) excepting the grants in *Rule VI*.

Rule XI.

The savings under salaries and personal allowances on account of appointments unfilled shall not be appropriated for the creation of permanent appointments, but may be utilised for the payment of arrears of pay or temporary appointments not costing more than the amount. Permanent reduction in establishment below the cadre fixed by Government on the recommendation of the Salaries Commission can be appropriated for the creation of new appointments as well as for increase in contingencies, special charges and other improvements of the department.

Rule XII.

The provision for works under Forest, Buildings and Communications, Irrigation and Public Improvements and grants for petty construction and repairs placed at the disposal of each department shall not be appropriated for establishment and contingencies.

A. HYDARI,

Finance Member.

Budget Note for 1333 Fasli

IN the Budget Note for 1331 F. submitted shortly after my taking over charge of the Finance portfolio, I had outlined certain proposals, the object of which was "to exhibit our financial condition in its true perspective, ensure a fairer distribution of our financial resources and encourage greater thrift in their expenditure."

In the next Budget which was presented last year, I explained in detail how these proposals had been practically carried out.

The classification of the heads of accounts was revised, "extraordinary" items were distinguished from "ordinary" and "capital" from "service" items and the major heads arranged according to a definite principle.

The different funded investments in British India Rupee paper were earmarked under separate Reserves, according to the sources from, or the objects for, which they had been constituted. Thus (a) British Government Promissory Notes of the face-value of $2\frac{1}{2}$ crores, being the amount of profits from the coinage of Halli Sicca Rupees, were constituted into the Osmania Sicca Stabilisation Reserve, as a support to our policy of keeping the fluctuations of the ratio of Hyderabad to British Indian currency within fixed and narrow limits, based upon their respective silver content (116-14-7 O.S. to 100 B.Gs.). (b) Fifty lakhs were set apart to form a Debt Redemption Reserve, to which every year 10 lakhs would be added, to redeem on their due date the different loans aggregating 260.62 lakhs, which were then outstanding. (c) A Famine Reserve was started, with an initial allotment of British Government paper of the face-value of 15 lakhs, to which 15 lakhs O.S. would be added every year. (d) Paper of the face-value of 96.72 B.G. lakhs was separately earmarked, in accordance with the commands of His late Highness and His Exalted

Highness, for a Railway Reserve to be serviceable in purchasing the Railway, the first option which would fall due in 1934. (e) After providing for these Reserves, paper of the face-value of 22·77 lakhs B.G.'s remained, which was formed into a General Reserve available, whenever required, for extraordinary expenditure of the State. This was in addition to the Sterling investments of the Government in Railway, Mining and other Stock of the face-value of about B.G. 3 $\frac{3}{4}$ crores, bringing up the total aggregate of investments to a face-value of over B.G. 8 crores.

The third and most important proposal was for rationing the departments for a term of years, which I had called "the Departmentalization of the Finances" in my first Note. Three years were fixed upon as the term for the Departmental contracts. During that period each department must restrict its expenditure and carry out whatever measures of reform or expansion, it might desire to institute, within its triennial grant ; if, however, at the end of any particular year, there happened to be any increase in the actual over the normal Revenues of the State, (on the basis of which the contract of expenditure had been framed), the excess might be wholly or partially allotted to such of the different departments as Government might decide. The normal aggregate for receipts was fixed at about 701 $\frac{1}{2}$ lakhs and the expenditure at about 686 lakhs, leaving a normal surplus of about 15 $\frac{1}{2}$ lakhs, after providing 15 lakhs for the Famine and 10 lakhs for the Debt Redemption Reserves.

In view of this fixation of the grants for three years, it will not be necessary to detail at any length the budget figures for those years. It will suffice if I indicate, how far any variations in the normal figures have had to be made in any year, on account of particular circumstances, as for example, seasonal conditions, exchange, and such other fluctuating factors, operating during it on the receipts side, or the savings which any Department has laid by from its grant for expenditure in subsequent years.

Before, however, I deal with the figures for 1332 F. which was the first year of the triennial contract, I must explain briefly how far the Budget expectations of 1331 F. the last year under the old system, have actually materialised

Actual for 1331
Fasli.

in the Accounts for that year. The Budget for 1331 F. was prepared on expectations of a favourable monsoon, after several successive failures. These expectations were fully realised and although in my Budget Note I had noted, that in view of the copious and timely rains with which we had been so far favoured, I was estimating the Land Revenue at the highest figure so far contemplated (300 lakhs) and the correlative heads of Customs and Excise at the record totals of 100 and 130 lakhs respectively, the actuals for the year show a considerable improvement even on these figures : 2 23 lakhs in Land Revenue, 29·77 lakhs in Customs and 2·28 lakhs in Excise and Opium. The only head of receipt, that shows a material decrease, is Railways 14 22 lakhs, but this too is apparent only, as this amount from surplus earnings has been kept back for payment of the heavy Excess Profits and Corporation taxes in England ; and has been practically counterbalanced by the increase under Interest of 13·62 lakhs, owing to better rate of interest and larger deposits, etc. The Service Receipts in their net sumtotal show an improvement of 32·69 lakhs, being 711·24 lakhs as against 678·55 lakhs originally budgetted for.

The expenditure was budgetted at 661·40 lakhs. The Accounts show an actual expenditure of 652·41 lakhs, in other words about a little less than 9 lakhs (8·99) under the original estimate. The surplus thus is 58·83 lakhs as against 17·15 lakhs anticipated in the Budget. Against this, however, must be set off extraordinary expenditure amounting to 16·42 lakhs, mainly for arrears of famine expenditure (7·27 lakhs), special donations to the Oriental Publications Bureau (4 lakhs) and other literary institutions, the Prince of Wales' visit, etc.

The net surplus is therefore 42·41 lakhs, which means an addition of 27·26 lakhs to the estimated Cash Balance. The coinage and bullion transactions show a net addition of 14·20 lakhs. The closing balance of 1330 F. was estimated at 480·99 lakhs ; it was actually 521·29 lakhs or better by 40·30 lakhs. Thus these three factors make up a total improvement of 81·76 lakhs in the estimated closing Cash Balance of 1331 F.

Debt Heads also should have added considerably to the cash resources, owing to the receipt of 71·22 lakhs

on account of the loan (1351·62), which was floated at par after the Budget was issued and which was over-subscribed at 6 per cent. notwithstanding the very tempting offers that were then in the British India money market. There were, however, heavy exchange transactions between O.S. and B.G. Rupees just towards the end of the year, which could be adjusted on the debit side only in this year's accounts, the credit side appearing in the next year's. The net result of the debt transactions shows, therefore, notwithstanding the loan, a net outgoing of 1·53 lakhs, the result being 14·52 lakhs worse, under this head, so far as the cash balance is concerned, than what was anticipated in the Budget. The Capital expenditure too, mainly under Railways, has exceeded the Budget by 7·11 lakhs being 103·58 against 96·47 lakhs. The amount spent on Investments has exceeded Budget by 5·84 lakhs and is 29·17 lakhs in the accounts, owing to the purchase, in addition to the usual Railway Stock, of 8 per cent. Debentures of the Singareni Collieries Co., and shares of the Shahabad Cement Co., in pursuance of the Government policy of helping materially the large industries of the State. The excess under these heads over the Budget heads amounts to 27·47 lakhs and reduces the improvement in the Cash Balance, (though not of course in the assets), from 81·76 to 54·29 lakhs. The Cash Balance at the end of 1331 Fasli which was estimated in the Budget at 389·33 is thus actually 443·62.

When the Budget for 1332 F. was prepared, the rainfall in the third week of Mehir 1331 F. had helped to considerably remove the anxiety, that had previously existed about the character of the season and it was then hoped that the deficiency in the total would be made up by the north-east monsoon. This hope, unfortunately, did not fully materialise. Azur and Dai 1332 F. recorded a rainfall of about 4·5 inches in all ; it helped to save the situation and materially served to ensure the *rabi* but was not enough for raising a full *tabi* harvest. The total rainfall for the season remained, in the aggregate, from 3 to 4 inches below the normal. It did not, therefore, contribute much to increase the storage of water-supply either in the sub-soil or in the tanks.

The character of the season is reflected in the Land Revenue figures for 1332 F. which are expected to fall

Revised Estimates
for 1332 Fasli.

short of the normal and the Budget figures by 27 lakhs. The Customs, however, so far from showing any decrease as might have been anticipated, more than make up, with Railways and Interest, this deficiency, the increases under these three heads being expected to be respectively 10, 12 and 8 lakhs by the end of the year. The ordinary Receipts, which were budgetted for at 700·69 lakhs will, it is now hoped, be about 11 lakhs better.

The ordinary Expenditure was budgetted at 684·04 lakhs and is expected to be 656·50 lakhs, causing a saving of 27·54 lakhs of which 12·38 belong to the Departments and will be carried forward to their credit next year and leave a gain of 15·16 to General Revenues. Out of this however 7·59 lakhs will be transferred as Interest to the Railway, Famine and Debt Redemption Reserves. Thus the surplus under ordinary receipts and expenditure, excluding about 20 lakhs on these two accounts of Departmental Credit and Reserves Interest, is expected to be about 35 lakhs after duly allocating 25 lakhs to the Famine and Debt Redemption Reserves. The net result of the extraordinary receipts and expenditure, however, reduces this surplus practically to the figure, anticipated in the budget, of over 16 lakhs, as almost nothing has so far been realised out of the 10 lakhs budgetted for as Extraordinary Receipts on account of the Development Department, whilst the Extraordinary Expenditure has exceeded the Budget by 8·59 lakhs, mainly on account of Special Counsel's fees and payment of arrear claims.

Under all the non-service heads, however, the out-goings are expected to be much less than what was anticipated. The Capital expenditure, which was budgetted at 138·90 lakhs, will amount to only 84·38 lakhs, being 54·52 lakhs less, the chief saving being under Railways. The Investments will be 28·27 lakhs as against 40·84 lakhs budgetted for and the Debt Heads, owing mainly to the adjustment on the credit side of the exchange transactions between O.S. and B.G. to which a reference has been made in the account of 1331 Fasli figures, will bring into the Cash Balance 126·78 (157·77 against 30·99) lakhs more than was anticipated. With these additions the Cash Balance, which in the Budget for 1332 F. was expected to stand at 501·43 lakhs and was actually only 443·62 lakhs (*i.e.*, 57·81 lakhs less), will, at the end of the year, be raised from 369·02 lakhs, originally

budgetted for, to 495·22 lakhs showing an increase of 126·20 lakhs.

The season for 1332 F. on which the next year's Budget mainly depends, started under depressing circumstances. The monsoon came unusually late and was insufficient in quantity. Amardad recorded only 2·12 inches as against 6·30 in the previous year. The situation was saved by relatively abundant rainfall in Shahrewar, by the end of which month, the total rainfall of the season practically caught up the level of the past year, *viz.*, about 13 inches. This late outbreak of the monsoon may, to some extent, affect the outturn of crops, but, generally speaking, no anxiety for *kharif* and *abi* remains at present except perhaps in Raichur, which has so far been singularly unfortunate. Much depends upon the precipitation of the Bombay current during Aban for maturing the autumn crops. For good *rabi* and *tabi*, more copious rains in Azur and Dai (1333 F.) will be required than what we got this year ; we can at present only hope that the Madras current will not disappoint us again next year.

With regard to expenditure, the chief causes for the variation from the normal are two. One is that some of the departments have not spent their full grants and have reserved their balance for expenditure during the next year. The other is the fact that with regard to progressive appointments, their average value is taken for the normal, whilst in the Budget the actual amount due to be paid to the particular officer holding each appointment is entered, the Finance Department undertaking the liability to pay each officer the pay due to him, independently of the exact provision for him in the Budget ; so far, the normal figures have been somewhat in excess of what has been required, but the saving on this account is not available for the departments, as it must be reserved for any increased payments that might become due on account of increments, etc., during the subsequent years of the contract. For Pensions also 1/9th of the average pay is debited to the departments, the Finance Department undertaking the liability for paying the exact amount of pensions due to retired officers of each department.

Besides these, the other variations are mainly an addition of 1·12 lakhs to the Customs and ·48 to the

Ecclesiastical Department normal grant for revision of salaries of their non-gazetted employees, which had been deferred consideration by the Salaries Commission ; and a grant of 2·72 lakhs to the Military to give the men of the Imperial Service and Regular Troops a living wage in the form of ration allowances. A small increase ·48 under Education is due to the opening of the Osmania Technical Institute, the amount of which could not be included at the time in the normal grant, as it was sanctioned by His Exalted Highness just towards the end of 1331 ; the Institute has been opened in connection with the Mint Workshops in accordance with a very promising scheme on original lines worked out by Mr. Gamlen and which has already attracted over 200 boys of all classes. There is an extraordinary provision of about 10 lakhs for buildings under Special Works. On the other hand a reduction of 2 lakhs has been made in the grant of the City Improvement Board, in furtherance of the policy of making it finance its own expenditure from the receipts obtained from the sale of sites improved by it. The grant to District Municipalities shows a reduction of 1 lakh as that was the balance of the total grant of 5 lakhs (after two instalments of 2 lakhs each in the two preceding years had been paid) which was sanctioned specially by His Exalted Highness for constructing Water-works in certain district headquarters. The only important variations under Receipts are on account of Customs, where the revision of rates on exported grain accounts to some extent, for the increase of 5 lakhs, Opium 1 lakh, Registration and Stamps $\frac{3}{4}$ lakh and Post Office $\frac{1}{2}$ lakh ; the Railway earnings are expected to be 5·46 lakhs and those of the Electricity Department 2·13 lakhs more, Exchange 1·35 lakhs.

The total of the service Receipts Budget is taken at 718·78 and of the Expenditure Budget at 698·64 leaving a Surplus of 25·14 lakhs. Thus so far as ordinary and even to a certain extent temporary extraordinary expenditure is concerned, it is amply provided for by our normal revenues, after making adequate provision for redemption of debt and famine expenditure and a fair surplus is still left.

The main problem for the next few years of Hyderabad finance will be the consideration of ways and means for financing the large capital and quasi-capital works, for which

Capital Works
Finance.

the Railway, Irrigation, Buildings and Roads Branches of the Public Works Department have submitted heavy programmes. I shall indicate briefly what their demands are, so far as they have been at present formulated, and the general lines of the solution which the Finance Department is inclined to advocate, remembering at the same time the constantly changing conditions not only of Hyderabad or India but even of English finance, which must from time to time affect our decision in any given year.

Taking first the Railways, the Government is definitely committed to an expenditure of almost B.G. 331 lakhs on account of the following lines :—

Railways.

- (1) The K. K. line, 26·17 miles from Korapalli to Kothagudium, which has been promised by the Government to the Singareni Collieries for opening up the rich coal mines that have been located in that area. This line is expected to cost B.G. 20·08 lakhs and will, it is hoped, be finished next year.
- (2) The Gadwal-Kurnool line of 39·88 miles which will link up our Metre Gauge system with the Southern Mahratta Railway system for the Marmagoa port as its objective. The line has already been constructed for a distance of 28 miles at a cost of B.G. 3·13 lakhs. The plate laying of this length and the linking up with Kurnool by a bridge on the Tungabhadra in British territory remain yet to be done. This is estimated to cost 34·27 lakhs, of which 8·79 lakhs will be for the bridge alone.
- (3) The Kazipett-Bellarshah line of 149·5 miles, which will link up our Broad Gauge system with Northern India through the Great Indian Peninsula Railway and be the shortest route between Madras and Delhi. The construction of this line has been divided into two sections. The Southern Section, nearly 62 miles, from Kazipett to Goliara on this side of the Godaveri, on

which B.G. Rs. 54·91 lakhs have already been spent, is expected to be completed next year at a total expenditure of 86·06 lakhs. The Northern Section, 87·52 miles proceeding from Goliara and passing the Godaveri up to Bellarshah in the Central Provinces on the other side of the Pain Ganga will, it is expected, cost B. G. Rs. 187·27 lakhs especially on account of the two big bridges (the Godaveri and the Pain Ganga) which will have to be constructed. B.G. Rs. 6·02 lakhs have already been spent on this section on the earth-work, which could be used as a road, and B.G. Rs. 14·86 lakhs will be spent mainly on the Godaveri bridge next year.

The negotiations, with regard to the construction of the last two lines, have brought out into prominent relief the difficulties, with which His Exalted Highness' Government are confronted in their Railway programme on account of their land-locked position, which necessitate their trunk lines being aligned on foreign railways at junctions in British India.

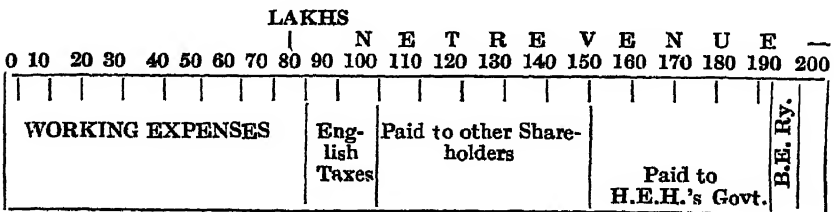
One difficulty is the question of rates, on which restrictions are sought to be imposed by neighbouring railways, in some cases even after the Government of India and the Secretary of State have accorded their sanction. These restrictions are in many cases obviously such as cannot be defended upon any ground of public policy other than a remote possibility of reduction, to a very small extent, in the earnings of these railways, a reduction which would in all probability be more than made up by the general increase, that must follow any expansion of the railway system.

Another difficulty is the demand for cession of jurisdiction on the whole course of the line, which means the practical cutting off, from His Exalted Highness' Government, of large slices of their territory.

These and other difficulties must naturally tend on the one hand to divert the railway policy of the Government more and more from the construction of trunk lines, which would link up the Dominions with the rest of

British India and make their railways form an organic part of the general Indian Railway System, and on the other hand to concentrate it more and more upon purely internal feeder lines, where neither any question of rates is raised by neighbouring railways nor is any cession of jurisdiction demanded by the Government of India. At present the following feeder lines are on our programme ; they are expected to cost B.G. Rs. 64·50 lakhs and the return on each is expected to vary from 6 per cent. to 8 per cent. *Parbhani-Purli* (16·96 lakhs B.G.), *Dharmabad-Nirmal* (18·06 lakhs), *Lingampalli-Bidar* (29·48 lakhs).

There is another factor over which His Exalted Highness' Government have no control, that will determine materially their Railway policy in the immediate future and that is the English Income-tax. Although our railways are being now financed practically entirely by our Government and their earnings are derived entirely from our own people in our own territory, yet owing to the Company running them being an English Company even the moiety of the surplus profits that falls to the Government's share is subjected to very high English Income and Corporation Taxes. What a large portion of the net earnings of our railway thus goes to the English Exchequer and what a small proportion comparatively is thereby left to the Nizam's Government will be readily seen from the following diagram.



The diagram is for 1922-23 in which owing to the reduction of the English tax the position has improved, but still the portion of the net earnings, that will continue to find its way into the coffers of the Government in England, is so considerable, as to make it imperatively necessary that our railways are financed in a way that will enable transfer of the Company from an English to a Hyderabad domicile being effected as early as possible. This must be one of the chief determining factors in the decision they will be called upon to make, when

the opportunity for closing the present contract presents itself in 1934, and one of the heaviest items on the list of capital commitments of the Nizam's Government which they have to take count of and provide for, is the amount they will have to pay, in case they decide to exercise their option of purchasing the line.

This further difficulty in their railway finance may lead His Exalted Highness' Government to concentrate, for the time being, their resources on irrigation projects and motorable roads rather than on railways.

The projects submitted or under submission by the Irrigation Department are of three classes :—

1. Irrigation Works which are considered likely to be fully productive and to bring in a return of well over 6 per cent. The following are comprised in this class : Wyra (25 lakhs), Palair (22 lakhs), Mannair (35 lakhs), Nizamsagar (305 lakhs), Purna (90 lakhs), Bunderpally Vagoo (60 lakhs), Dindee (75 lakhs) and Haldi (40 lakhs), and smaller projects such as Monampet, Donoor, Ganga-vagu (78 lakhs). The present estimates of these works aggregate roughly $7\frac{1}{2}$ crores.

2. Hydro-Electric Power Schemes which are expected by the Department to be even more remunerative than the first and will be an impetus to industrial undertakings in the State. These are Devanoor (3 crores), Kaddam ($\frac{3}{4}$ crore) and utilisation of the command of level of the Manair Reservoir : total estimated cost four crores. The effect of these Schemes on the present Electric Supply System, with reference to the total demand for power, requires investigation in order to determine their net productiveness to the State.

3. Protective works which are not likely to bring in a return of 6 per cent. but will protect the areas served by them from famine, viz., Tungabhadra $1\frac{3}{4}$ crores, Rooty, Talwar Mudhole, etc., ($\frac{1}{4}$ crore)—total cost two crores.

Out of these, the Irrigation Department is particularly keen on starting as soon as possible and completing within the next 10 years (a) the Nizam Sagar Project for utilizing the waters of the Manjira river estimated to cost over 3 crores with an anticipated return of 12·5 per cent. (b) the Devanoor Project as an adjunct of the

former, expected to give Hydro-Electric power of 9,000 Kilowatts and bring in a return of nearly 14 per cent. on about $1\frac{1}{2}$ crores by harnessing the Manjira river at a site in Bidar district, (c) the Purna project, expected to yield a return of $6\frac{1}{2}$ per cent. on Rs. 90 lakhs and given a place as it will be the only paying Irrigation project in Mahrathwara, and (d) the Tungabhadra Project for irrigating 120,000 acres and protecting the unfortunate Raichur district from famine, which claims attention as early as possible, before the water of the river is tapped by any other work outside the State. In addition to Royanpally, Palair, Manjira left bank canal, Singabhoopalam and Wyra projects, costing Rs. 57,26,000 which have already been commenced and which are expected to require Rs. 15 lakhs next year, the Finance Department has so far signified its assent to the starting of the Nizam Sagar Project, which will next year require a capital expenditure of Rs. 25 lakhs. Thus the total commitments of the Finance Department for the coming year will require, in addition to the ordinary service Irrigation Works grant, a Capital Works grant of Rs. 40 lakhs, if no work other than Nizam Sagar is undertaken. By 1334 F. Royanpally and Manjira left bank canal projects and the Himayat Sagar works will have been completed and will relieve a grant of Rs. 16 lakhs a year from the ordinary Revenue and Rs. $2\frac{1}{2}$ lakhs from Capital funds.

Besides Irrigation Works there are works, under the Buildings and Roads Branch of the P. W. Department, which though they cannot be called productive in the sense of bringing a definite money-return on the capital outlay, are nevertheless in their character and magnitude such, that it would be unfair to make the ordinary revenues of any one particular year bear the entire burden of their incidence, whilst on the other hand it would be undesirable, both from the point of view of administrative efficiency and real economy, to spread out the expenditure of their construction over a number of years. I refer under this class specially to the heavy programme of roads required to open out the Adilabad district and the neighbouring backward tracts, the construction of large bridges like that across the Godaverri at Nander and the provision of suitable buildings for certain departments especially Judicial. There are, above all, the buildings for the Osmania University, which will require

an expenditure of at least 70 lakhs, on the magnificent site that has been specially sanctioned by His Exalted Highness, to be worthy of its position as the expression of the most fruitful idea in Indian Education and the most beneficent monument of His Exalted Highness' reign. Then there is the Hyderabad Drainage Scheme expected to cost, according to Sir M. Visveswarayya's estimate, 90 lakhs.

It is evident that these large works cannot be financed from the current revenues of the State and loans will have to be raised sooner or later to replenish our cash balances to meet them. Fortunately the credit of the State is at a high level, as is evidenced not only by the fact that the last 6 per cent. loan was oversubscribed whilst other loans offering more favourable terms competed in the Indian market, but also by the fact that the scrip for that loan is now quoted at 104 in the Hyderabad market. For Irrigation productive works and Railway projects, His Exalted Highness the Nizam's Government need have no compunction in financing them from loans, so long as the rate of interest at which they have been able to borrow is not raised, and adequate provision for the payment of interest as well as their redemption on due dates is made in and can be met from the ordinary Service Works Grant helped by revenues accruing from those works themselves as soon as they are completed. For the Protective works, Government can well look to a portion at least of their Famine Reserve. The Hyderabad Drainage Scheme must be financed by the Municipality through Municipal taxation. For the Osmania University, there is in the first instance a provision in Special Works in the ordinary Public Works Department grant, which will be increasingly available as other special works, like the Osmania Hospital, etc., will on completion cease to be a charge on it. It can be supplemented, if need be, temporarily from the General Reserve formed from the accumulated surpluses of the past. For the heavy programme of roads and buildings, however, Government must seek ways and means first from the amount to be realised by disposal of waste lands in the areas that will be benefited by the new works, secondly from the tolls that will be levied on the new bridges and lastly from the rent that will be saved by new buildings tak-

Ways and means
for above.

has also under consideration a proposal to pay in advance at once a part of the normal grant for roads and buildings for a certain term of years and to reduce to that extent the grant in subsequent years until the advance, with interest thereon, is cleared off by the Public Works Department. The accumulated balances of the Local Funds are at present so large that a considerable portion of them too can be conveniently invested in buildings for schools, hostels, hospitals and other useful institutions, provided they pay to Local Funds such rent from their annual grant from General Revenues as will be tantamount to adequate interest on the monies invested.

In the main, however, Government must look forward to an expansion of revenue and economy in expenditure, so as to create large surpluses available for works of public utility and for activities of beneficent purpose. As to economy in expenditure which comes within the special purview of the Finance Department, the hands of that Department have recently been considerably strengthened from the direction, from which it has always and consistently received in the past the strongest possible support—His Exalted Highness the Nizam, who has in his statesmanlike *Farmans* of 14th Jamadi II and 18th Zihaj 1341 Hijri, commanded the formation of a departmental committee for each department, for the purpose of exploring all possible sources of economy in their working without prejudice to their efficiency, and a sub-committee of the Executive Council for carefully scrutinizing and reporting on the proposals of these departmental committees as well as for making any other suggestions that may commend themselves to them. The *Farmans* refer specifically to the two heads indicated in my last Budget Note as those in which considerable economies in administration could be effected, namely expenditure on salaries and contingent expenditure, (especially for stationery and printing), and also to the problem of finding ways and means for the construction of Irrigation Works likely to protect large areas of the country from famine. There is no doubt that the committees, that have been constituted, will discharge with courage and vigour the important task imposed on them by His Exalted Highness and effect such economies as will allow the vigorous prosecution of

His Exalted High-
ness' Farmans
on Retrench-
ment.

all those schemes of expansion and improvement, which have been prepared and submitted for the consideration of Government. These committees have been called Retrenchment Committees. They have been constituted, it is true, to effect retrenchment ; but the object is not to create an equilibrium in Hyderabad finance. That equilibrium already exists, only it is a condition of stable equilibrium, which, long prolonged, might mean stagnation, whilst what is aimed at by His Exalted Highness is the creation of a condition of ever-moving higher equilibrium connoting life and progress.

The exact results of the deliberations of these Committees will not be known till the next year is well on its way to an end. For 1333 Fasli, therefore, my proposals are to allot 75 lakhs for Railway capital expenditure, and 40 lakhs for Nizam Sagar and other Irrigation Works. Grants aggregating $4\frac{1}{2}$ lakhs will also be made to the Electricity, Workshop and Telephone Departments, being mainly balances of their unspent Capital grants to complete their programme ; whilst a special grant of 1·61 lakhs has been provided under Government Press for a foundry, where along with English, Nastaliq, Urdu Type of a design, that has been elaborated after much thought by experts, will be cast, to supply a long and much felt want, which will facilitate the printing of Urdu educational books.

Starting with a Cash Balance of 495·22 lakhs, to which 25·14 lakhs would be added by the anticipated surplus under Service Heads, the Debt Head transactions are expected to add 54·82 lakhs, whilst this Capital Expenditure will reduce the Cash Balance by 122·67 lakhs, in which there will be a further reduction of 50 lakhs on account of Investments in the different Reserves. Thus the closing Cash Balance is expected to be 402·42 lakhs.

Since 1331 F. Capital Expenditure on Railways, Irrigation, Electricity and other Works amounting to 310·63 lakhs and Investments in funded and other Reserves amounting to 107·53 lakhs will have been made from the cash balances, with a loan of only 76·92 lakhs raised primarily at the time for the purpose of keeping within the State capital that might otherwise have emigrated. The cash balance will still at the end of 1333 F.

be, it is expected if the heavens be propitious, 402·42 lakhs, which is well within the margin of safety required for conducting the financial transactions of the State, whilst the face-value of the investments in the different Reserves will be over B.G. 9 crores.

2nd Aban 1332 F.
8th September 1923.

HYDAR N. JUNG,
Finance Member.

Budget Note for 1334 Fasli

IN my Budget Note for last year I stated that, under the scheme for the Departmentalization of the Finances, which had been explained in my previous Budget Notes, the normal aggregate for receipts had been fixed at about 701½ lakhs and the expenditure at about 686 lakhs, leaving a normal surplus of about 15½ lakhs, after providing 15 lakhs for the Famine and 10 lakhs for the Debt Redemption Reserves. For the three years, therefore, for which the departmental contracts under the scheme were to run, it would not, I said, be necessary to detail at any length the budget figures but only to indicate any variations from the normal from year to year on account of particular circumstances, as for example, climatic conditions, trade movements and such other causes operating on the receipt side, or extraordinary unforeseen demands or savings of grants by departments on the expenditure side. My comments, therefore, in explaining the Actuals for 1332 and the Revised Estimate for 1333 and showing how the Budget figures for 1334 have been framed, will naturally be very brief. The figures, however, will be of interest, as they show not only that the expenditure has been kept within determined limits but also that most of the departments have been able to lay aside substantial balances, which they can spend on matured schemes of expansion or reform in the future. They show also that in spite of indifferent seasonal conditions and after meeting heavy extraordinary demands, surpluses in excess of the normal have accrued, which are now at the disposal of Government for distribution among departments of internal development, like Education, Medical and Sanitation, Commerce and Industries, Irrigation, Buildings and Communications, so as to promote the physical, mental and economic well-being of the people.

The Budget for 1332 was framed after the rainfall in Mahrathwara had given promise of a good cotton crop and Telingana, which had given reason for anxiety, had been favoured with plentiful rains; the hope was then expressed that the Madras current would bring in

ACTUALS
1332 F.
Revenue
Receipts.

copious rains for the *Rabi* and *Tabi* harvests in Azur and Dai (October and November). This hope, however, was not realised, and the result is that in the final accounts for 1332, which are now submitted, the Land Revenue receipts have fallen short of the Budget by over 27 lakhs. Owing, however, to the cotton crop being a good one, a considerable amount of this deficiency has been made up by Customs, which is better by about 16½ lakhs. Excise and Opium contribute 5½ lakhs, and Forests 2 lakhs more. Interest on larger balances with the Imperial Bank at higher rates add another 2 lakhs; the total under this head now shows the substantial amount of 40½ lakhs, after crediting over 7½ lakhs to the Railway, Famine and Debt Redemption Reserves on account of the interest earned on the investments earmarked for them. The Railways similarly show a return of 30½ lakhs in surplus earnings, being an improvement of 12 lakhs over the Budget estimate which was by no means conservative. All these increases have, notwithstanding the unexpected decrease in the Land Revenue brought us a net increase of about 12½ lakhs over the Budget Receipts of 1332, (713·46 against 700·69). In these figures the 10 lakhs budgetted for under Development Receipts, have been excluded; they were extraordinary receipts not taken in the normal figures for departmentalization and nothing was actually realized on this account during the year. Similarly the extra grant of 8 lakhs for this department, which was contingent on those receipts has been excluded from the expenditure side.

The expenditure, after omitting for the reasons just given the figures for Development, was budgetted at 686·35 lakhs and is 656·85 lakhs in the Actuals. Over 24 lakhs (24·65) have been saved by different departments from their grants, owing principally to the economies they exercised in expenditure under such heads as contingencies, special charges and travelling and tour charges. The departments that saved over a lakh each are : Military (2·69), Courts (1·29), Jails (1·47), Police (2·37), Education (6·18), Medical (3·03), Agriculture (1·92), Veterinary (1·09). Apart from these savings which remain at the disposal of the departments for expenditure in future years, there were savings amounting to 22·27 lakhs on account of pensions, yeomiah, mansabs, rusums, sinecure allowances, Irregular Troops, exchange, etc., including differences

between the budgetted and the actual salary, the credit for which, under the departmentalization rules, does not go to any particular department but is merged in the general surplus. On the other hand there was extraordinary expenditure amounting to 16·64 lakhs on account of Special Law charges (10·85), Peshkari claims of arrears (3·89), State Receptions and Entertainments (1·50), Religious grants (0·40). In the net result, therefore, there was on the expenditure side a betterment of 5·63 lakhs.

Thus in 1332, against a budgetted surplus of 16·34 lakhs, the actual surplus (after providing 25 lakhs for the usual Famine and Debt Redemption Reserves and meeting extraordinary expenditure of 16·64 lakhs during the year), is 56·65 lakhs or 32·00 lakhs if the savings which remain at the credit of the departments are excluded.

The seasonal conditions for framing the Budget for 1333 were practically the same as those under which the Budget for the previous year had been prepared. The *kharif* and the *abi* crops had been assured by the plentiful though late rains of Shahrewar (July). Much depended on the Aban (September) precipitations of the Bombay current and, for the *rabi* and *tabi* crops, on the Azur and Dai (October and November) rains of the North-east monsoon from Madras. Consequently the Budget was framed at a total of 718·78 with Land Revenue at the normal figure of 300 lakhs and receipts under other heads increased by about 16 lakhs, mainly under Customs (5 lakhs), Railways (5½ lakhs), Electricity (2½ lakhs), Exchange (1½ lakhs). In the event, however, though the Aban rains were, as hoped for, satisfactory, the Madras current was even more disappointing than in the previous year. In the Revised Estimate for 1333, the Land Revenue has, therefore, been reduced by 17 lakhs. The deficiency, however, will again, it is expected, be made up (owing to the good cotton crop) by Customs (9 lakhs), Forests (4 lakhs), and Opium and Excise (4½ lakhs). Interest shows this year too a substantial improvement of 11·32 lakhs. But the Electricity Department has not realised the increase of 2·13 lakhs anticipated in the Budget, although it has paid in full the normal amount of revenue at 6 per cent. on the capital. Post Office and Stamps also are short of the Budget by half a lakh each.

Thus the Revenue Receipts of the year, which is now closing, are expected in the aggregate to be about 9 lakhs better than the Budget.

The expenditure budgetted for 1333 (including 25 lakhs for Famine and Debt Redemption Reserves), was 695·64. The Revised Estimate is expected to be 653·92, *i.e.*, 41·72 lakhs less than the Budget. Out of this, however, 26·32 lakhs are savings of the departments to which they have a claim under the departmentalization rules. On the other hand there is an extra expenditure of 3·30 lakhs from the Famine Reserve; the remaining 18·70 lakhs will have been saved as in last year under rsums, compensations, special allowances, salaries, interest, etc. The surplus would have been larger still but for an expenditure of 4·46 lakhs for Special Law charges and of 1 lakh B.G. for the repairs to the famous Al Aqsa Mosque in Jerusalem.

Thus taking into account the improvement under Receipts and the savings under Expenditure, the surplus in 1333 is expected to be 74·15 lakhs after providing for the Famine and Debt Redemption Reserves. If the departmental balances are excluded, the surplus would still be 47·83 lakhs as against a budgetted surplus of 23·14 lakhs.

The seasonal conditions for the Budget of 1334 have so far not been particularly favourable. For the two months of Amardad and Shahrewar, the average rainfall for the Dominions has been 7·40 inches against 12·80 inches last year which itself was below the average. The result has been a contraction of the area under *kharif*. There is still hope that good showers in the next two months, as last year, might make good, to a considerable extent, the effect of the deficient rainfall of the previous months, more especially if the Madras monsoon in Azur and Dai turns out to be less disappointing than in 1332 and 1333. The Budget estimates for 1334 have, however, been framed after making sufficient allowance for the reduction in revenue consequent on the contraction of the *kharif* area. I have reduced the Land Revenue figure by 20 lakhs (as against the Revised 17 lakhs) below the normal and increased the Customs by only 5 lakhs (as against the Revised 9 lakhs), Forest, Excise and Opium by only 7 lakhs (as against the Revised 8·20 lakhs) and Interest

by 7·63 lakhs (as against the Revised 11·32 lakhs). The departmental estimates, I may observe, are much more optimistic than mine.

The Customs revenue may ultimately prove to be much larger in the year, if the Hyderabad Tariff Commission, which has been considering for some time past the question of revising the schedule, submits its report in time for Government to take effective action from 1334 F. onwards. It is hoped that as a result of the deliberations of this Commission, whilst the duty on many articles which bring in practically no revenue or which hamper the development of industries in the State will be removed, the mode of assessment on the other articles will, at the same time, be so arranged as to make it correspond more nearly to the scheduled rate of 5 per cent. *ad valorem* and not about 4 per cent. to which it works out at present. It is also hoped that the question of liability of the imports of the State to a higher duty than 5 per cent. through the British Indian Sea Customs tariff, will have been threshed out by the Commission, especially as the question of exemptions from the Hyderabad tariff is in a way linked up with it. That the Customs duty realised on some of the main articles of export like cotton and seeds is considerably less than what is due to the Exchequer, is evident from a consideration of the Customs figures of imports and exports, which are interesting also in other ways. Our total imports in 1332 amounted to 19·13 lakhs whilst the total exports were put down in the Customs returns at 17·10 lakhs. In other words according to these returns the balance of trade was unfavourable in 1332, and in fact it was so shown by the Customs Department in all the years from 1326 ; and yet it is certain that since the termination of the war the value of our exports has in normal years *exceeded* the value of our imports by roughly between 3 and 4 crores. Obviously the exports, especially cotton and seed, were assessed at a much lower figure than their actual value. In 1332 the balance of trade was, I estimate, in our favour by 4 crores, of which about 2 crores were adjusted by the import of precious metals, one-third in silver and two-thirds in gold ; the other two crores were financed by Government issuing 204 lakhs of O.S. Rupees in exchange for B.G. drafts on Bombay. In 1333 owing to the high cotton prices, the Government had to issue 340 lakhs of Osmania Sicea Rupees in exchange

for B.G. drafts on Bombay. These drafts, as has been explained before, help to keep the ratio between B.G. and O.S. Rupees within definite limits, in a manner similar to the way in which the English exchange was formerly kept within the neighbourhood of 1s. 4d. to the rupee through the agency of the Secretary of State's Council Bills. One outcome of the labours of the Tariff Commission will, I hope, be the introduction of a system of reliable Customs statistics which will help the Government in their forecast of Currency requirements.

The Budget figures of service receipts total practically up to the same figure (720·63 lakhs) as that in the Budget for last year without the improvement expected in the Revised Estimate.

The ordinary expenditure is budgetted at 686·40 lakhs, as against 685·48 lakhs of last year's Budget. The slight excess of one lakh is due to an increase of over $1\frac{1}{2}$ lakhs under Pensions and mansabs and another $1\frac{1}{2}$ lakhs under Religious and charitable grants and a decrease of about 2 lakhs under General Administration and Miscellaneous charges. The extraordinary expenditure budgetted for is only half a lakh (0·51) on account of arrears demand of the Religious department as against over 10 lakhs (10·16) in the last year's Budget. The total Service Expenditure thus shows a saving of 8·73 lakhs over the previous year's Budget.

I thus anticipate in 1334 a surplus of 33·72 or over 18 lakhs more than the normal surplus of $15\frac{1}{2}$ lakhs.

It will be seen that so far as the Revenue Receipts and Service Expenditure of the State are concerned, the figures for the triennium 1332-1334, for which the present departmental contract runs, show that over and above the annual normal surplus of 15·53 lakhs a year or $46\frac{1}{2}$ lakhs in three years, there has been an additional actual surplus of 16·47 lakhs in the accounts for 1332, an anticipated increase of 32·30 lakhs in the surplus according to the Revised for 1333 and an expected improvement of 18·19 lakhs in the Budget for 1334. At the same time the Departments have saved and laid by to their credit actually 24·65 lakhs in 1332, and very probably another 26·32 lakhs by the end of 1333, that is 50·97 lakhs in two years.

Coming now to Capital Expenditure, the Budget for 1332 had provided 138·90 lakhs for it. The Actuals (60·33), however, show heavy lapses of over 77 lakhs in the accounts, mainly under Railway construction. The expenditure this year according to the Revised Estimate for 1333 is expected to be 84·84 lakhs whilst the Budget had provided 122·67 lakhs for Capital Expenditure. The decrease of 37·83 lakhs is again mainly under Railways. In the present Budget for 1334 a provision of 90·75 lakhs has been made for Capital Expenditure out of which 40 lakhs are for Nizam Sagar and other Irrigation projects and 43·78 for Railways. Capital for quasi-commercial departments like Electricity, Workshop, Telephone and Press gets the remaining 7 lakhs.

The heavy lapses under Railways both in 1332 and 1333 require explanation. They are mainly due to a slowing down of the Railway programme pending settlement of certain outstanding questions with the Government of India. Our Railway Capital Expenditure falls into two classes—one is capital expenditure for the construction of State Railways and the other the financing of the capital requirements of open lines of H.E.H. the Nizam's Guaranteed State Railways Company in the form of Railway Debentures.

There was a provision of 92½ lakhs in the Budget of 1332 under the first head, State Railway construction, including 2 lakhs for land acquired. The actual expenditure has been about 58 lakhs out of which 18½ lakhs were met from the balance the Railway Company had in the beginning of the Fasli year, so that the amount actually debited in the accounts for 1332 is only 39·66 lakhs. The main reasons for the reduced expenditure are :—(a) delay in the settlement of rates agreements with foreign railways with regard to the Kazipett-Bellarshah Railway, on which there is a consequent decrease of about 8½ lakhs, and (b) failure to come to any definite arrangements with the Government of India about the section, outside the Hyderabad State, of the Gudwal-Kurnool Railway, leading to practically the whole of the allotment of 17 lakhs for that Railway remaining unspent. There is a saving of 5 lakhs on the Kothagudium coal field line owing to the rolling stock not having been indented for. The 17·34 lakhs for Development Railways also have not been spent, as it has now been found that, in the present condition of the

country, motorable roads would be preferable to railways in the Development areas.

In 1333, the Budget allotment for State Railway construction, including land compensation, was 75 lakhs. This included a provision of 37 lakhs for feeder railways which was afterwards ordered to be expunged. The remaining grant of 38 lakhs is expected to be spent in full.

We are providing 43½ lakhs, (inclusive of land compensation) in 1334 for Railway Capital construction. The larger portion of it, *viz.*, 26·41 lakhs, is for the construction of the Kazipett-Bellarshah Railway ; the remaining 17·37 lakhs will be required by the Kothagudium line, (5·48 lakhs), the Secunderabad-Gudwal Railway, and the Gudwal-Kurnool line.

For the financing of capital on the open lines belonging to H.E.H. the Nizam's Guaranteed State Railways Company, 15 lakhs B.G. on account of Debentures were budgetted for, but only 10 lakhs B.G. were actually taken up in 1332. In 1333, 10 lakhs B.G. of Railway Debentures have been budgetted for, which it is expected will be fully spent. No allotment for this purpose is required in 1334.

In 1332 there was a provision on account of 5 lakhs B.G. of Singareni Collieries Debentures which was not used, as they were not called up. The provision was repeated in 1333 and has been utilised in that year.

Thus under Investments against a budgetted allotment of 40·84 lakhs, the Actuals of 1332 show an expenditure of 29·17 lakhs and in the Revised of 1333 the full budgetted amount of 17·50 lakhs will have been spent. There is a provision of 11·67 lakhs in 1334 for investment in the Deposits Reserve. With this provision the total expenditure on Investments in the three years will, it is expected, amount to 58·34 lakhs.

Coming now to the Debt Heads of Advances, Deposits and Remittances, the Actuals for 1332 added 103·08 lakhs to the cash balance more than the amount 30·99, originally estimated. The addition was mainly on account of the corresponding adjustment during the year of a Sarf-i-Khas remittance transaction of the previous year. In 1333 again, according to the Revised, the addition, it is anticipated, will be 45·40 lakhs more than 22·23

lakhs budgetted for, due principally to adjustment of the purchase price of silver for coinage. The net result of the Debt Head transactions in 1334 is expected to mean an addition of 16·56 lakhs to the cash balance. Thus in the three years the Debt Head transactions will have added 218·26 lakhs to the cash balance.

Two measures, which the Government has sanctioned during the year and which will affect the Advance Head, require mention. One is the grant of loans for study in England on the hypothecation of mansab, landed property or some such other security. Those to whom such loans will be made will be selected by the Scholarship Committee. The other is the revival of the rules, which had been passed in Sir George Casson Walker's time for the grant of loans to Jagirdars on the security of their Jagirs. The total amount available for distribution for these two classes of loans will be determined by the Finance Department with due regard to their resources.

The first day of 1332 began with an actual cash balance of 443·62. Adding to this 164·52
 Cash Balances. and 218·26, the excess of receipts over disbursements in the Service and Debt Heads respectively, and providing 302·62 for Capital Expenditure and Investments of the three years, I expect the last day of 1334 to close with a cash balance of 523·78 lakhs.

It will be remembered that in accordance with the proposals in my Budget Note for 1332, our
 Reserves. holdings of British Indian Rupee paper were distributed under separate Reserves according to the sources from, or the objects for, which they had been constituted. The position of these Reserves in the course of this triennium is expected to be as follows :—

1. *The Debt Redemption Reserve.* This was started in 1332 with British Indian Rupee paper of the face-value of 50 lakhs. About 12½ lakhs were added in that year from the surplus and the accrued interest; additional paper of the face-value of 12·37 lakhs was purchased therewith in 1333, so that the invested holding in this Reserve is now 62·37 lakhs. Another 12·51 lakhs will, it is anticipated, be invested by the end of 1334, leaving the cash addition of about 13 lakhs for investment in the following year. This Reserve is thus expected to have British Indian Rupee paper of the face-value of about 75 lakhs and 13 lakhs in cash, less what might

have been used in the interval for paying off any portion of the outstanding loans. A notification in the Government Gazette has just been issued for paying off the balance of over 15 lakhs of the loan of about 27 lakhs which was issued in 1307 and which was repayable on giving three months' notice any time after the 30th Aban 1326 F.

2. *The Famine Reserve* was started with paper holdings of the face-value of B.G. 15 lakhs in 1332 and the same amount, less any expenditure on account of famine, together with the interest thereon is added every year. By the end of 1333 the holding will have increased to the face-value of 29·69 lakhs in paper and 12·32 lakhs in cash. By the end of 1334 the Reserve is expected, if no expenditure is incurred, to be 42 lakhs in British Indian Rupee paper and 15·21 lakhs in cash.

3. *The Railway Reserve*. It started with British Indian Rupee paper of the face-value of 96·72 lakhs. The investment of the interest has raised the holding to 102·77 lakhs in 1333. By the end of 1334 the face-value of the investment will be about 107 lakhs paper and about $4\frac{3}{4}$ lakhs in cash.

4. *The Deposits Reserve*. The Reserve, which was constituted as the General Reserve in 1331 with Promissory Notes of the face-value of 22·77 lakhs, I propose to split up into two : one the General Reserve and the other I call "the Deposits Reserve," made up to cover our liabilities for the moneys lying on interest in deposit with us, like Savings Bank, etc. ; as it is only after providing for the liability on this account, that the balance of our investments can form a Reserve for the general purposes of the State. An addition of $10\frac{1}{2}$ lakhs has been made to the "Deposits Reserve" in 1333 and further addition of $11\frac{1}{2}$ lakhs will be made in 1334 F.

5. *The Paper Currency Reserve*. Constituted with reference to Section 9 of the Hyderabad Paper Currency Act II of 1327 which allows one-third of the total value of the notes in circulation being kept in British Indian Government or Nizam's Government Paper in lieu of cash. The total circulation in the beginning of 1332 was 151·07 lakhs for which British Government Promissory Notes of the face-value of B.G. Rs. 37,27,500 were earmarked. In 1333 an addition of B.G. Rs. 16·57 lakhs has been made so that this Reserve has now B.G. paper of the total face-value of 53·84 lakhs. The net circulation was 160 lakhs

in the beginning of 1333 (October 1923) and reached 200 lakhs by the end of Ardibehisht (March 1924) after which there was the usual decline until, at the end of last month (Shahrewar—July) when it usually reaches its lowest point, the circulation was 186 lakhs. There is, therefore, room for investment of at least another 8 lakhs in this Reserve.

6. *The Osmania Sicca Stabilization Reserve* made up from profits of coinage accruing from the difference between the minted and the bullion value of the Osmania Sicca rupee, less cost of minting. The Reserve was started with British Government Promissory Notes of the face-value of 250 lakhs in 1332. No addition has been possible in this Reserve as although there has been an issue of 56 37 lakhs of new coinage in 1332, there has been at the same time a receipt, in lieu of B.G. Rupees, of 224 lakhs O.S. Rupees at higher than the accounts rate. The profits on these O.S. Rupees, it is unnecessary to add, had already been credited to the Reserve when the coin had been originally issued.

Thus starting with Government Paper of the face-value of 471½ lakhs in all these Reserves, I expect to have by the end of 1334 Government Paper of the face-value of 582 lakhs and about 36 lakhs in cash for investment next year. The Sterling Investments of the Government which at the end of 1331 amounted to £2,229,080 will, I expect at the end of 1334, be £2,473,780 and there will also be 25 lakhs B.G. of Singareni Collieries Debentures and Shahabad Cement Company's shares and 27 lakhs B.G. of Railway Debentures under issue.

As indicating continuous improvement in the credit of His Exalted Highness' Government it may be noted that their Governmnet Paper was quoted at par at the end of 1331 F. It is now quoted at 104. The quotation for their Railway Company's Stock was 84-86 in 1331 F. ; now it is 119-120 ; thanks mainly to the capable management of the Agent Mr. Lloyd Jones.

I may now summarise the financial results of the three years of the departmental contracts, as they are expected to be, according to the figures I have explained in these notes. The Cash Balance will have increased by 80·16 lakhs (from 443·62 lakhs to 523·78 lakhs). The different Reserves will have increased by 110 lakhs in British Government Paper, £244,700 in Sterling Investments, 27 lakhs B.G. Railway Debentures under issue,

25 lakhs B.G. Collieries Debentures and Cement Shares and 36 lakhs in cash. The Capital Expenditure mainly on Railways and Irrigation works, financed without any loan will amount to 235·92 lakhs net. The departments will have laid by in two years, balances amounting to 50·97 lakhs which will be available for expenditure by them in the third year of their contract, showing thereby that the contracts were framed on generous lines sufficient for the full expansion and development of each department during the triennial period. The surpluses of Revenue Receipts over Service Expenditure, excluding these departmental balances, will be 113·55 lakhs, *i.e.*, an increase of 66·96 lakhs over the normal in three years. These again are available for allocation by Government on such objects of expenditure as may appear to be most suitable.

Assuming that the seasonal conditions in the next two or three months do not turn out to be such as to cause, God forbid, famine or severe distress in the Dominions, I would propose to allocate 15 lakhs out of the surplus of 32 lakhs that has actually accrued in 1332. The following objects suggest themselves at present to me as among the most suitable to select from for the expenditure of this surplus : construction of roads in the districts, especially in Adilabad ; grants to Local Boards for construction of Water-work in the districts ; construction of buildings in the City like the Asafia State Library, Civil and Criminal Courts, the Accountant-General's Office, the Osmania Technical Institute, the remaining wing of the Mahubia Girls' School ; purchase of stallions and bulls for horse and cattle breeding operations. It will be open to my Hon'ble Colleagues of the Executive Council to select out of these and others such objects of expenditure of a non-recurring character as they may deem appropriate in view of the different needs of the State. Or without making any immediate distribution of surplus, they may perhaps prefer to await the recommendations of the Retrenchment Committee, constituted under the gracious commands of His Exalted Highness, to which I referred in the last Budget Note. That Committee has finished its labours with regard to the reports of the special committees of the Public Works, Political and Finance Departments, and the economies in these departments that it has been so far able to recommend amount to over 3½ lakhs a year. The large departments, however, in charge of the Military, Judicial,

Revenue and Commerce and Industries Members still remain to be dealt with ; proposals of reduction from some of these, so far received, amount to another $3\frac{3}{4}$ lakhs a year. As I have observed these retrenchments are not required in order to create an equilibrium in the State's finances, for such equilibrium already exists. What is desired is to effect economies without impairing the efficiency of the departments, and thereby to provide on the one hand larger funds for the service of departments that further the health, wealth, protection and education of the people, and on the other hand to establish such equilibrium in the State's finances as would ever be moving to a higher and higher point, always connoting larger and fuller life. With this object in view I outlined several schemes in my last Budget Note ; others are under preparation in some of the departments ; and before deciding upon the expenditure of the surpluses accruing during the present contract, it might perhaps be just as well to await the full report of the Retrenchment Committee which will affect the figures of the next contract. By that time, as I do hope and pray, all causes for anxiety about the season will also have been removed.

With a view to helping my Hon'ble Colleagues in this work, I am also having comparative statistics prepared, to show what our percentages of expenditure in the different departments are, with reference to each other and also to the total revenues of the State and how these percentages compare with similar percentages elsewhere. With the necessary corrections on account of local conditions, they will serve to indicate how far our Budget is not only a balanced Budget but also a Budget that is well balanced in its proportions.

16th Mehir 1333 F.
22nd August 1924.

HYDAR N. JUNG,
Finance Member.

Budget Note for 1335 Fasli

I HAVE explained in sufficient detail, in my previous Budget Notes, the scheme of departmentalization of finances, under which the Budgets of the Hyderabad State are being framed for the last three years. The year which is now expiring terminates the first, and the next year will inaugurate a fresh, triennial contract under that scheme. I shall, therefore, in my present Budget Note first show briefly how our finances have actually fared in the course, as compared with our anticipations at the beginning, of the current contract. I shall then proceed to explain the figures of the next contract and the causes of its variations from the present. I shall lastly deal with the Budget for the ensuing year, 1335 Fasli, and give the reasons why I have, on account of the conditions of the season anticipated, and the exigencies of extraordinary requirements expected, during that particular year, introduced variations in the Budget estimates of its receipts and expenditure from the normal figures of the contract which it ushers in.

Dealing with the current contract, I must first show how the Actuals for 1333 Fasli, the accounts of which have been closed in the course of this year, compare with our Budget anticipations and our Revised figures.

I. CURRENT CONTRACT.

(i) Actuals 1333 Fasli.

It will be remembered that the Budget for 1333 Fasli was framed under seasonal conditions which had to a great extent ensured the Kharif and the Abi crops, but for good Rabi and Tabi we had to be content with the hope of a strong north-east current in the first two months of the year. This hope however, was not realised and in the Revised Estimates, the Land Revenue had to be reduced by 17 lakhs. Customs, however, owing to the good cotton Kharif crop, was expected to make good more than half of the deficiency, and improvement in the Forest income and Excise, the other half. At the same time, Interest was

expected to show a substantial improvement of $11\frac{1}{3}$ lakhs, so that after making allowance for small anticipated decreases in the receipts of the Electricity Postal and Stamps Departments, the revenue receipts in the aggregate were expected to be on the whole 9 lakhs better than the Budget. The actual accounts, however, show an improvement of $38\frac{1}{2}$ lakhs, mainly due to the increases, under the heads mentioned above, being much greater than what were anticipated even in the Revised—the increase under Customs having been actually $16\frac{4}{5}$ lakhs (Revised 9 lakhs) ; Forest $5\frac{1}{4}$ lakhs (Revised 4 lakhs) ; Excise and Opium $10\frac{4}{5}$ lakhs (Revised $4\frac{1}{4}$ lakhs). The improvement under Interest was 13 lakhs (Revised $11\frac{1}{3}$ lakhs) and under the other Finance heads of Mint, Paper Currency and Exchange $7\frac{3}{4}$ lakhs. The total receipts were actually 757·29 lakhs as against the budget total of 718·78 and the Revised of 728·07 lakhs.

The Expenditure for 1333 Fasli, both Ordinary and Extraordinary, including 25 lakhs laid aside for Famine and Debt Redemption Reserves, was budgetted at 695·64 and the Revised was expected to be 653·92 lakhs. The actual expenditure is 656·83 lakhs.

Out of the savings in the budgetted expenditure, $29\frac{1}{4}$ lakhs are savings of different departments remaining at their credit; whilst there are savings amounting to $23\frac{1}{3}$ lakhs, under Salaries and Pensions and sinecure allowances, which are finally closed to General Revenues.

There was, however, a net excess of $8\frac{2}{3}$ lakhs in extraordinary expenditure under the following heads : about 2 lakhs on account of Special Counsel's fees, over a lakh on account of donation for repairs to the Al-Aksa Mosque, another lakh for donations to Lady Reading's Leprosy Fund, the Japanese earthquake and the Malabar Relief Funds and to the Muslim Orphanage, Calcutta, reducing the savings of Government to $14\frac{2}{3}$ lakhs. Also there was an additional expenditure of 5·18 lakhs from the Famine Reserve for relief operations in Raichur.

The total service expenditure, therefore, including the provision for Famine and Debt Redemption Reserves, was almost 39 lakhs less than the Budget. The small variation of the Actuals from the Revised, about less than 3 lakhs, was due to the savings being less than the anticipations in the Revised estimate.

Thus in 1333 Fasli, as against an anticipated surplus in the Budget of over 23 lakhs, the actual surplus was over 71 lakhs, after making a provision of 25 lakhs for the Famine and Debt Redemption Reserves, meeting the extraordinary demands during the year and also leaving savings of over 29 lakhs to the credit of the departments for expenditure in subsequent years under the Departmentalization Scheme.

Coming now to the figures for the current year, the (ii) Revised 1334 Fasli. Receipts. Land Revenue Budget for 1334 Fasli was prepared under seasonal conditions, anticipated to be less favourable than even those for 1333 F. In the end, however, they turned out to be better and almost the reverse of those in the previous year in so far that whilst the standing cotton crops were considerably damaged by heavy rains in the later months, the Tabi and the Rabi crop were saved ; the reduction below the normal of 20 lakhs anticipated in the Land Revenue Budget is now expected to amount to only about 9 lakhs. Besides this improvement in the Land Revenue of over 11 lakhs, Forest, Customs, Excise and Stamps are also expected to show altogether an improvement of $15\frac{2}{3}$ lakhs ($3\frac{4}{5}$ lakhs, $5\frac{1}{3}$ lakhs, $4\frac{1}{3}$ lakhs and $2\frac{1}{4}$ lakhs respectively).

Interest is expected to be $2\frac{1}{2}$ lakhs better even than the Budget, which in itself was $7\frac{2}{3}$ lakhs above the normal, due to more favourable terms obtained from the Imperial Bank, larger deposits and reduction of Income-tax in England. Paper Currency, too, is expected to give 5 lakhs more than the Budget mainly owing to our depositing for the first time the B.G. portion of our Currency Reserve in the Imperial Bank up to the limit allowed by law. The net circulation now, I may observe, is 256 lakhs as against 197 lakhs a year ago.

The anticipated receipts, however, of 3 lakhs budgeted under Exchange will not materialise. The damage to the cotton crops reduced considerably the Halli demand by bills to finance the cotton export trade and even this reduced demand was mainly met by the import of gold owing to its relative cheapness at the time. The imports of gold in the last 3 years were :—

Fasli	Rs.
1331 ..	37,71,569
1332 ..	1,34,18,121
1333 ..	1,82,68,628

Under Railways the improvement is expected to amount to about 14 lakhs ; the Government share of the Railway earnings will have reached the record figure of $37\frac{3}{4}$ lakhs, more than double the normal expectation (18.54 lakhs) and an increase of 50 per cent. over the Budget anticipation (24.00). The expansion of the State Railway, the abolition of the Corporation Tax and the reduction in the British Income-tax account partly for this increase ; but the main credit is due to the conspicuous ability of the Agent and Chief Engineer, Mr. Lloyd Jones, and the active vigilance of the London Board. Our Railway Stock, which was quoted at 62 only four years ago and at 100 two years ago, is now impossible to obtain even at 131.

The Development receipts, too, will again be about 2 lakhs less than the Budget, owing to the suspension of work of giving lands for colonization ; this will, however, be made up by 2 lakhs more, expected under Miscellaneous mainly on account of unclaimed deposits. There is an adjustment entry of 1 lakh from the Famine Insurance Reserve to meet the cost of winding up the famine operations in Raichur last year.

The net result of these increases and decreases is an improvement of $46\frac{1}{3}$ lakhs over the Budget—the total receipts being expected to be about 767.00 lakhs as against $720\frac{2}{3}$ lakhs in the Budget.

The total budgetted expenditure for 1334 Fasli was about 687 lakhs and the revised is expected to be $642\frac{3}{4}$ lakhs excluding a grant of 4 lakhs, which was a special grant made to Buildings and Communications by the Executive Council out of the previous surpluses.

The total savings under the ordinary heads are expected to be $49\frac{1}{2}$ lakhs, out of which $28\frac{1}{3}$ lakhs will be departmental savings at the credit of the departments and the remaining 21.10 lakhs will be savings which are to be credited to Government on account of sinecure allowances and differences between budgetted and initial pay due to vacancies.

There will however, be an extraordinary expenditure of $4\frac{1}{4}$ lakhs not included in the Budget— $\frac{1}{4}$ lakh in connection with His Excellency the Viceroy's visit to the Ajanta and Ellora Caves, $\frac{1}{2}$ a lakh donation to the Red Crescent Society and another $\frac{1}{2}$ a lakh on account of special Counsel's fees and a supplementary grant of 3

lakhs for Development made by the Executive Council after the Budget.

Thus the net savings in the Budget under Expenditure are over 44 lakhs, of which $15\frac{3}{4}$ lakhs will go to swell the general surplus.

Taking now the increase in the Receipts and the decrease in the Expenditure, the Surplus which was expected to be 29·72 lakhs when the Budget for 1334 Fasli was framed, is expected at the end of the year to amount to $91\frac{3}{4}$ lakhs, after making a provision of 25 lakhs for Famine and Debt Redemption Reserves and leaving $28\frac{1}{2}$ lakhs at the credit of the departments. This surplus is exclusive of 7 lakhs which represent the retrenchments that have been made by the Retrenchment Committee in accordance with His Exalted Highness' Firmans of 14th Jamadi-us-sani and 11th Zihej 1341 H. referred to in my last Budget Note and also those which have been effected directly under subsequent Firmans. For these retrenchments a special Major Head "Reserve for Reorganization and Development" has been opened, under orders of His Exalted Highness, to emphasise the fact that the economies thus effected are not meant for being saved, but are to be utilised for measures of reorganization and development, which are under the consideration of Government.

Before I proceed to discuss the normal figures for the next Departmentalization contract, I would like to sum up the results of the current contract, of which the figures of the first two years are now definitely, and of the third year practically, ascertained.

(iii) Summary
of contract
1332-34.

The Surpluses of Revenue Receipts over Service Expenditure will be nearly 2 crores (195·10 lakhs) or almost $1\frac{1}{2}$ crores (148·51 lakhs) more than the normal surplus anticipated at the beginning of the Contract. The Departments will have saved during the triennial period 67·02 lakhs, showing on what generous lines their budgets were framed to admit of their expansion during the contract period. A moiety of these accumulated savings will remain at the credit of the departments for expenditure during the next contractual period, whilst the other moiety will be credited to General Revenues. I shall, when I am dealing with the Budget for the next year, explain how I propose to deal with these Surpluses and savings. The Debt Redemption and the Famine Reserves,

which were started at the beginning of the contract, and for which provision has been made from the revenue receipts, apart from these surpluses will stand at 74½ lakhs and 55 lakhs respectively.

I now proceed to deal with the figures for the next triennial contract. Taking first the Receipt heads, the normal receipts under the expiring contract were taken at 701½ lakhs. For the next contract I am estimating them at 28¼ lakhs more (729·77 lakhs). There is an increase, smaller or greater, in almost every head—Forest 5 lakhs, Customs 10 lakhs. Excise, etc., 2¾ lakhs, Stamps and Registration 2½ lakhs, Post Office ¾ lakh, Irrigation ½ a lakh, Interest 1⅓ lakh, Paper Currency 1¼ lakh and Railways 4¾ lakhs. There is no change under Land Revenue, and the previous figures are also retained for Mint and Exchange. There is however a decrease of about half a lakh (·45) under Telephones owing partly to the withdrawal of a large number of Government telephones.

The first and most important figure under Receipts is that of Land Revenue. The normal in the last contract was 300 lakhs ; to fix it I had taken the years 1327 and 1331 as the basis of calculation as being normal years free from famine, the figures for which were 300 lakhs. I retain the same figure (300 lakhs) as the normal for the next contract also. The realizations during the three years of the current contract have fallen short of this figure, but they have been years of deficient rainfall and cannot therefore be said to have been normal. In the meantime there has been a revision of settlement resulting in considerable increase in the cultivated area as well as in the gross assessment. I have on the whole decided upon the retention of the previous normal as the safest course, leaving it to the seasonal conditions of each year, during the contractual period, to decide whether any variation from this figure will be necessary. I consider it to be a conservative estimate of the normal in view of the fact that the gross assessment in 1333 was almost 3 crores 20 lakhs, and the demand under other heads of Land Revenue over 16½ lakhs, whilst the arrears recoverable were over 45 lakhs.

The previous normal for Forest was about 10 lakhs. Owing to the rise in the price of timber and other forest produce the revenue under this head has been rising every year and is expected

II. CONTRACT
1335-37 F.

Land Revenue.

Forests.

to be $13\frac{1}{2}$ lakhs in 1934. The normal for the next contract has been accordingly fixed at 15 lakhs.

Customs. The Customs revenue also has been steadily advancing with the extension of our railway system and the opening up of the country. The Department will have also been reorganized at an increased cost. The previous normal of 115 lakhs has accordingly been raised by 10 lakhs—which I consider to be a conservative estimate of the increase to be anticipated in the next three years.

Excise. I retain the Excise figure practically at what it was before—145 lakhs (normal 144·30 lakhs). Owing to better administration, the revenue under this head has more than doubled in the last two decades without any increase in consumption which Government would rather see steadily disappear than increase. This disappearance they can contemplate without dismay when in the next decade, the increase in land revenue on the completion of their large irrigation projects and the increase in railway receipts on the purchase of the Railway become due, not to speak of the general increase in the revenues owing to the greater prosperity of the people, in which their greater temperance would have had no mean a share. The increase of 2 lakhs under Opium and Ganja is due to a renewal of contracts.

Stamps. There is another increase of 2 lakhs under Stamps, due to the development of the Judicial machinery on its separation from the Executive.

Registration. Registration is also raised from 2·10 lakhs to 2·70 lakhs by opening of additional Registration Office.

Interest. Interest would have shown a much larger increase but for the general downward tendency of the Bank rate and also especially for the fact that very heavy capital expenditure ($324\frac{1}{2}$ lakhs) is being financed from our cash balances without any loan which proportionately reduces the Bank balances on which interest is earned. That there will be an increase at all is due to reduction in the rate of British Income-tax and better terms than before being obtained on the interest on our balances.

Our Paper Currency is becoming more and more popular. The net circulation in the beginning of 1882 was 139 lakhs. It is now 256 lakhs and is expected to be over four crores by the end of the triennial period. The addition to the investments in the Paper Currency Reserve, which this expansion will allow, justifies the increase of $1\frac{1}{4}$ lakhs under this head.

The Post Office Savings Banks, too, have been rapidly expanding. The deposits in the first year of their establishment amounted to about 8 lakhs; they are now over 15 lakhs. The receipts under Post Offices have consequently been raised in the normals of the next contract by $\frac{2}{3}$ of a lakh.

Under Irrigation, the increase that could safely be taken at present is only half a lakh, mainly in view of the completion of a few projects. As already stated, in future contracts, as the larger projects come to be completed, this head must show considerable increase.

The Government share of the Railway receipts was taken at $18\frac{1}{2}$ lakhs in the last contract. They are being estimated at $23\frac{1}{4}$ lakhs for the next contract. This increase of $4\frac{3}{4}$ lakhs is a conservative estimate of the increase due to more economic management of the railway system and the abolition of the Corporation and the reduction of the income-tax in England, the unfair and heavy incidence of which on our net earnings I have had occasion to point out in a previous Budget Note.

I come now to the figures of normal expenditure of the next contract. Their variation from the figures of the expiring contract is the result of two factors :

First : Ordinary variations which are inevitable owing to decreases in the normal course of events caused by gradual reductions in the commitments of Government or changes in administration.

Second : Retrenchments proposed by the Retrenchment Committee or effected by direct commands of His Exalted Highness.

As regards the first factor, there is a decrease of about half a lakh under *Land Revenue* charges on account of increased receipts from Jagir Survey and reduced Land Compensations; also a decrease of another half a lakh under *Forests* in view of the average actuals under Conservancy. The abolition of the appointment of Member for Commerce and Industries and his staff and the revision of expenditure of the President's staff, account for a reduction of $1\frac{1}{4}$ lakhs under *General Administration*. The disappearance of the provision of about 4 lakhs for construction of Government Saloons and abatement of about $\frac{1}{4}$ lakh on account of miscellaneous Refunds make up $4\frac{1}{4}$ lakhs of decrease under the head *Miscellaneous*. The deletion of the provision for Preliminary Surveys accounts for a decrease of about a lakh under *Railways*.

There is also a reduction of 8 lakhs in the normal grant of the *P.W.D.* This, however, is more apparent than real, so far as the financing of roads and buildings, etc., is concerned; for the previous normal grant included grants amounting to 16 lakhs for special works, like Himayat Sagar, Osmania Medical Hospital, etc., which have now been completed. Also in addition to the normal, extraordinary grants are to be given next year for Drainage, Delhi Palace and Development amounting in all to 16.76 lakhs. Further large grants for Capital Works amounting on an average to 61 lakhs a year are being made without including the interest thereon in the normal grant; by the end of this year 114 lakhs will have been thus spent the interest on which at 6 per cent. would be 6.84 lakhs a year.

Coming now to the increases, additions have been made in the grants of certain departments mainly for carrying out schemes of reorganization which had been held over in the previous contract. The chief increases on this account are : $2\frac{3}{4}$ lakhs under *Customs*, $1\frac{1}{2}$ lakhs under *Religious*, and $\frac{1}{2}$ lakh under *Agriculture*, for revision of salaries and reorganization and development of these departments. Increased compensation and charges for water supply to the Narayanguda Distillery raise the figure under *Excise* by half a lakh. Under *Military* there is an increase of over 3 lakhs on account of the grant of ration allowances to the Regular Troops, extra provision for pack horses in the Imperial Service Troops and revision of salaries of the Office establishments in both the Regular and the Irregular Troops. *Police* too has an

increase of $1\frac{1}{3}$ lakhs on account of travelling allowance and extra establishment for guards to the increased number of Munsiffs' courts. There is an addition in the *General Administration* grant, small, about $\cdot 12$ only, but it is for a measure which will in the fullness of time have a marked effect on the administration and that is the revival of the Hyderabad Civil Service Class under revised Rules, which have been recently sanctioned by His Exalted Highness.

There is an apparent increase of half a lakh on account of interest both under *Interest* and *Post Offices* due really to the way in which the interest payable to Savings Bank depositors is shown in the accounts under these two heads and also on the receipts side. Although in consequence of redemption of 1307 loan, the Government liability to interest thereon is decreased by about a lakh, their liability under this head has on the whole enhanced owing to increased Deposits and augmented Insurance Depreciation, and other Funds on which interest is payable.

Difference in the pay of holders of appointments under the progressive and time scales at the time of the last and the present contract, reduction of certain appointments in accordance with the recommendations of the Salaries Commission and consequent changes in the pensionary liabilities account for a net increase of $\frac{3}{4}$ of a lakh distributed over different departments. The total increases amount to $11\cdot 14$ lakhs, which reduce the total decreases in expenditure from about $14\frac{1}{2}$ to $3\frac{1}{2}$ lakhs.

The last two Budget Notes referred to the Retrenchment Committee of the Executive Council, created by His Exalted Highness' Firman of 14th Jamadi-us-sani and 11th Zihej 1341 H., with a view to exploring all possible sources of economy in the working of the different departments without prejudice to their efficiency. This Committee has completed its labours. The total amount of retrenchments proposed by it in the different departments amounts to $18\frac{3}{4}$ lakhs, of which $2\frac{3}{8}$ lakhs have already been, and $3\frac{3}{8}$ will be, effected in the course of the next year and over 6 lakhs in the following years of the contract. The principal departments on which the Retrenchment Committee's axe has fallen are Land Revenue ($2\frac{3}{4}$ lakhs), Forests ($\frac{1}{3}$ lakh), General Administration (2 lakhs), Law Courts ($1\frac{1}{4}$ lakh), Jails ($\frac{3}{4}$ lakh) and Public Works establishment (2 lakhs).

*Second Factor :
Retrenchment
Committee's
Reductions.*

Retrenchments on account of personal and travelling allowances and telephones, etc., effected by special Firmans amount to another $2\frac{2}{3}$ lakhs, Land Revenue, Excise and Medical being cut about half a lakh each and General Administration $\frac{1}{3}$ lakh.

As noted before, these retrenchments were not required in order to balance the Budget, but only to remove whatever unnecessary extravagance might be discovered in any branch of the administration. The savings, therefore, have (under His Exalted Highness' commands) not been appropriated to swell the general surplus but have been reserved for further expenditure and accordingly kept under a special Service Head (41 B) Reserve for Re-organization and Development. Thus the operation of this factor does not really affect the total expenditure figures.

The total expenditure for the next contract thus shows a net decrease of over $3\frac{1}{3}$ lakhs, being 682·57 lakhs as compared with the normal of about 686 lakhs. With regard to this decrease, it will be observed that the real cuts are mostly in the departments of General Administration; the departments of Defence and Internal Protection have received substantial additions to their grant, whilst the departments of Internal Development have had their grants either left untouched or received some addition as in the case of Religious and Agriculture. Even in those cases where the grants have been left untouched, it should not be supposed that the departments have been given no room for further development and expansion. The statement of Departmental savings* shows that year after year they have failed to work up to the grants given them in the present contract, so that they will have still this margin of expansion in the course of the next contract. In addition to this they carry forward a moiety of their savings for being spent in the next three years. Then there is another amount of 14·71 lakhs in the Special Reserve head which will be available under the orders of His Exalted Highness for expenditure on such objects as may be considered necessary for the well-being of the State.

In my last Budget Note I promised a statement of the grants given to the different departments in our State as

* Among the departments Forest has saved 8 lakhs, Military $6\frac{1}{2}$ lakhs, Courts of Law 8 lakhs, Jails 4 lakhs, Police 4 lakhs, Education 12 lakhs, Medical $6\frac{3}{4}$ lakhs, Agriculture $2\frac{2}{3}$ lakhs, Veterinary $2\frac{1}{2}$ lakhs, Religious and Co-operative 1 lakh.

compared with those of the different Provinces in British India to ascertain how far our Budget was not only a balanced Budget but also a Budget that was well balanced in its proportions. That statement, as prepared from the data available to me, is annexed. The comparison has been found even more difficult than I anticipated, owing especially to the separation of the Provincial from the Imperial Budget, whereby important items of expenditure are excluded from the former. Expenditure, amounting to about one-fifth of the whole (like Customs and Opium, Post Offices and Paper Currency and Mint, Military, Railways), which figures in the Hyderabad Budget, has no place in the Provincial Budgets of British India. On the other hand they have two heads, Pensions and Expenditure in England 3·7% and 1·6% respectively, which we do not book separately, but spread over the heads concerned. After making due allowances for these important differences, about ten per cent. net, it will be found that our expenditure on Internal Protection is only about half of the average in the Provincial Budgets whilst that on Internal Development almost exactly equal, and so also is the expenditure on our Revenue and General Administration. The relative percentages in the Hyderabad Budget therefore fully justify the conclusion that the expenditure in our Budget has been duly proportioned between the different departments.

The normal Receipts being thus estimated to be 729 $\frac{3}{4}$ lakhs and the Expenditure 682 $\frac{3}{8}$ lakhs, the Normal Surplus normal annual surplus for the next 3 years I estimate to be about 47 $\frac{1}{8}$ lakhs as against a surplus of 15 $\frac{1}{2}$ lakhs under the previous contract.

Having thus explained in detail the normal figures for 1335-37, I need not be long with the particular Budget figures for 1335, with which the triennial period begins.

III. BUDGET FOR 1335 F.

I estimate the total Receipts at 729 lakhs against the normal of 729 $\frac{3}{4}$ lakhs. The variation of $\frac{3}{4}$ lakh from the normal is due to three Receipts. heads—Land Revenue, Excise and Interest. Under *Land Revenue* : I budget for 295 lakhs as against the normal of 300 lakhs and the Revised for 1334 of 291 lakhs because the seasonal conditions, although better than last year, cannot yet be said to be quite normal, in view of the monsoon having begun much later than usual. Under *Excise* : I retain the figure of the 1334 Budget, which is

2 lakhs more than the normal. Under *Interest* : I budget for over 2 lakhs more than the normal, as I do not anticipate an immediate decrease in interest from the point it has reached this year. The decrease in this head from 46½ lakhs in 1334 to the normal of 40 lakhs will only be gradual, as our Cash Balances get more and more depleted with the increasing expenditure on our Railway and Irrigation programme.

I estimate the budget expenditure for 1335 at 689·07 against 682·57 in the normal. The deflection of 6½ lakhs of the Budget Expenditure. figure from the normal is due to the fact that the latter represents the net results of ordinary retrenchment and expansion, which it will take the full course of the three years of the contract to reach. The amount of retrenchments going to the special head of Reserve for Reorganization and Development will be 6·14 lakhs in 1335 as against 14·71 in the Normal ; the difference, however, on this account does not, as previously explained, affect the total figures of expenditure.

Owing to the adjustment on the receipts side of 35·01 on account of moiety of Departmental Balances and Famine Reserve and extraordinary grants of 16·81 on the expenditure side for Drainage, Development and Delhi Palace Works, the surplus for 1335 F. will be 58·11 lakhs or 10·91 more than the normal and 28·39 more than the 1334 Budget.

DISPOSAL OF GOVERNMENT SURPLUS. Before leaving the Revenue and Service Budget and the resultant surplus, there is one question which I have reserved, with which I must now proceed to deal. One of the provisions in the Scheme of Departmentalization is that at the end of each contract a moiety of the savings of the departments together with the surpluses over the normal become available for allocation by Government on such objects of expenditure as may appear to them to be most suitable. The departmental saving in 1332 and 1333 F. were 24¾ and 29¼ and in 1334 F. are expected to be 28½ lakhs out of which the departments will have spent over 15 lakhs leaving 67 lakhs unutilised. The moiety of these departmental savings to be credited to General Revenues is thus expected to be 33½ lakhs. The surpluses in 1332. and 1333 F. were 32 lakhs and 71¼ lakhs ; with the expected surplus of 91¼ lakhs in 1334 F. the total will come up to 195 lakhs ;

which will be $148\frac{1}{2}$ lakhs more than the normal surplus of $46\frac{1}{2}$ lakhs in three years.

From the moiety of the departmental savings, an extra grant of 3 lakhs a year for the next 2 years for construction of roads in the Adilabad district has already been sanctioned by the Executive Council. This leaves $26\frac{1}{2}$ lakhs under this head to be distributed, with regard to which I would suggest that the departments of Internal Development be allowed to retain the full instead of only a moiety (about $12\frac{1}{4}$ lakhs) of their savings—the Educational Department will need it for the Osmania Technical Institute and the Medical Department for their equipment of the Osmania General Hospital—whilst for the remaining $14\frac{1}{4}$ lakhs I would suggest the following as amongst the most suitable for the consideration of the Council : Grants to local bodies for construction of Water works in the districts ; construction of buildings for the Judicial Department ; purchase of Stallions and bulls for stud purposes.

The major portion of the surplus of $148\frac{1}{2}$ lakhs over the normal, that has accrued in the last contract, should be laid aside in the Railway Reserve, which at present stands at $111\frac{1}{2}$ lakhs earmarked for the purchase of the N. G. S. Railway line in 1934. A careful calculation of the different figures of assets and liabilities shows that if the Railway Reserve is strengthened by the addition of 130 lakhs, the amount at its credit will have accumulated in 1934 to a figure sufficient to enable us to purchase the Railway, provided we continue to add to it regularly every year just the dividends on our Railway Stock only the dividends which accrue to us as ordinary shareholders of Railway Stock and not the Government share in the surplus earnings of the Company. The ordinary dividends bring us at present annually 18 lakhs. I feel justified in making this proposal as it is an investment of a portion of the surplus above the normal made up, not from the Revenue Heads strictly so called, but—and more than fully—from the net receipts under Interest and Railway, which have amounted to 153 lakhs during the contractual period. In view of the heavy commitments of our Irrigation and Railway capital programme, I propose to keep this amount in a more or less liquid form of Imperial Bank deposits rather than Government of India stock, at any rate for the present, until at least the financing of the cotton trade next cold weather liquidates a portion of our bullion balance.

The remaining portion $18\frac{1}{2}$ lakhs of the excess surplus I propose to add to the Famine Reserve. Out of this $8\frac{1}{2}$ lakhs will replace the amount which has been already spent from this Reserve to meet scarcity operations in Raichur and the cost of protective works which were started on that account. This reserve is now 55 lakhs and by the above addition it will be, by the end of 1335 F., $88\frac{1}{2}$ lakhs. As a matter of fact I should like to bring it up to at least a crore by that time.

Turning now to Capital Expenditure and Investments, I take up the thread of the narrative from my last Budget Note, in which summarising the financial results of the three years of the departmental contracts, (as made out from the Actuals of 1332, the Revised of 1333 and the Budget anticipations of 1334), I said that by the end of 1334 F. "the Capital expenditure mainly on Railways and Irrigation works financed without any loan will amount to 235·92 lakhs. The different Reserves will have increased by 110 lakhs in British Government Paper, £244,700 in Sterling Investments, 27 lakhs B.G. Railway Debentures under issue, 25 lakhs B.G. Collieries Debentures and Cement shares, and 36 lakhs in cash. The Cash Balances will have increased by 80·16 lakhs (from 443·62 lakhs to 523·78 lakhs.)"

The only correction in this summary that has to be made, in consequence of the variations of the Actuals from the Revised of 1333, and of the Revised from the Budget of 1334, is that the Capital Expenditure financed without any loan will have been 24 lakhs less, being 211·97 lakhs. The main decrease is under Railways, 11 lakhs in 1333 and 27 lakhs in 1334, owing to the slowing down of the Railway programme on account of protracted negotiations with foreign companies and the Railway Board as regards the terms of construction and working of the Kazipett-Bellarshah and the Secunderabad-Kurnool lines. On the other hand Irrigation has spent over 15 lakhs more on account of speeding up of the Nizam Sagar Project. The Industries Department shows also an increase of over 3 lakhs mainly due to an adjustment of expenditure on the Alcohol Factory in 1334. The Electricity and the Workshop Departments have, however, spent $2\frac{1}{4}$ lakh and Printing $2\frac{1}{2}$ lakhs less.

The figures of increases under the different Reserves remain unchanged.

The Cash Balance, (401·28 lakhs), however, so far from showing an increase of 80 lakhs is expected to be really about $122\frac{1}{2}$ lakhs less than what was anticipated in the summary and about $42\frac{1}{3}$ lakhs less than even the opening balance of 1332, notwithstanding the increase in the surplus and the decrease in Capital expenditure. This reduction, however, in the Cash Balance is more apparent than real. There is an item of 191·87 lakhs figuring under "Advances for Coinage" for the purchase of bullion which has not been cleared by the issue of minted metal, with the result that there is an increase of 212 lakhs of tolas of minted silver in the Mint Bullion Balances.

I now come to the ways and means estimates for the (ii) 1335 F. coming year.
Capital Programme.

After prolonged negotiations, we have at last been able to arrange satisfactory terms of the Gadwal-Kurnool and the Kazipett-Bellarshah lines, pending which further work was so retarded as to cause the large savings under Railway Capital Expenditure I have previously noticed. The demand for the completion of these two lines in 1335-37 will be 17·15 lakhs and 122·85 lakhs respectively, of which $72\frac{1}{2}$ lakhs will be required in 1335. The Nizam Sagar Works are also expected to make an increasing demand on our cash balances. The Finance Department had originally bargained for a ten-year programme for this work costing over three crores of rupees. That programme has, under His Exalted Highness' commands, been speeded up, so as to ensure completion in six years ; we have therefore provided 45 lakhs for this work in the coming year. The other Irrigation works financed as capital projects are Wyra, Palair, Royanpalli and Singabhupalium, which are likely to require 16 lakhs in 1335 F., $8\frac{1}{4}$ lakhs in 1336 F. and $\frac{1}{4}$ lakh in 1337 F. These projects are expected to be completed in the course of the new contract at a total expenditure of $52\frac{1}{4}$ lakhs, but Nizam Sagar will still go on and after an expenditure of $68\frac{1}{2}$ lakhs in the current and 160 lakhs in the ensuing contract for 1335-37 F. will still require about three quarters of a crore for its completion in the contract that will follow. Electricity, Workshop, Printing and Telephone, etc., will take up the remaining 8 lakhs out of the total grant of $141\frac{2}{3}$ lakhs for 1335 under this head.

The Osmania Stabilization Reserve : I cannot at present budget any addition to this Reserve as it entirely depends on the extent to which there will be further demands on our currency in the course of the year. *The Paper Currency Reserve* : I expect the net circulation to be at least 3 crores by the end of next year showing an increase of over 40 lakhs which means at least 13 lakhs added to the Reserve. *The Railway Reserve* : With the addition of 130 lakhs and dividends of 18 lakhs which I have proposed and the accumulated interest this reserve will have increased from 111½ lakhs to 272 lakhs by the end of 1335 F. *Deposits Reserve* : It will be augmented by 15 lakhs in order to provide for the liability for money lying on interest in deposit in Savings Banks, etc. It will have increased from 35½ lakhs to 52 lakhs by the end of the year. The usual annual addition of 15 lakhs to the *Famine Reserve* from revenue will bring it up to 88½ lakhs. It may be noted that the Reserve would, but for the special addition of 18½ lakhs proposed by me from our excess surpluses, be 8½ lakhs less on account of famine operations in Raichur in 1333 costing 5 lakhs, and certain protective works costing 3½ lakhs. In the *Debt Redemption Reserve* after paying off the balance of the 1307 Loan and making the usual annual addition of 10 lakhs there will be a balance of 87½ lakhs. About 10 lakhs B.G. equivalent to 11¾ lakhs O.S. will be spent on Railway Company's debentures for financing their current capital requirements. The total additions to the different Reserves, excluding the Paper Currency Reserve, is expected to be over 2 crores and 13 lakhs, of which it is hoped that about 40 lakhs will have been invested in Government, Railway and other Stock before the close of the year, whilst the balance will remain in long term deposit account with the Imperial Bank.

The year is expected to open with a cash balance of 401½ lakhs. The revenue surplus will, as already stated, be 58 lakhs, whilst the net result of the Debt Head transactions, after eliminating the figures for investments and interest-bearing deposits, will add another 173¾ lakhs to the cash balance. On the other hand investments of the Reserves will deplete the cash balance by 39½ lakhs and the capital expenditure by another 141¾ lakhs. We, therefore, anticipate the year to close with a cash balance of over 452 lakhs. With this cash balance we hope to carry on

the ordinary administration of the State and finance its heavy Railway and Irrigation programme, which will have amounted since 1332 to over $3\frac{1}{2}$ crores. If the conditions of the cotton trade turn out to be as favourable to our currency as they used to be in years past before last year, when imports of gold took its place and if thereby the minted bullion lying in our Mint is set free, we hope to meet our capital requirements of even another year from our cash balances without having recourse to the loan market.

HYDAR N. JUNG,
Finance Member.

HYDERABAD (DECCAN),

1st Aban 1334 F.

6th September 1925.

Budget Note for 1336 Fasli

IN my last Budget Note I had explained in detail the figures of the current Departmental contract the Budget Estimates for the second year of which I am now submitting to the Council. I had also then summarised the results of the last contract, and submitted proposals for dealing with the Surpluses and the moiety of the Departmental Savings that had accrued during its currency, which under the Departmentalization Rules had become available for allocation for further expenditure. The figures in that summary, however, included only the Revised Estimates and not the Actuals of the concluding year of the triennium. The final accounts of that year have been closed only in the current year, and I am therefore now able to present the results of the first triennial contract in their final form.

I had explained last year how bountiful rains in the months subsequent to the preparation of the Budget for 1334 Fasli had considerably improved our Budget position ; the Actuals are found to be even better than the Revised. The Budget Estimates for 1334 Fasli anticipated the ordinary receipts at 716·13 lakhs and the extraordinary at 4·50 lakhs. The ordinary expenditure was estimated at 661·40 lakhs and the extraordinary at 4·51 lakhs. After providing 25 lakhs for the Famine and Debt Redemption Reserves, the budgetted Surplus was 29·72 lakhs or about 14·19 lakhs more than the normal of the last contract. The Revised figures showed a betterment in the receipts of 46·33 lakhs (*viz.*, 766·96 lakhs) and a reduction in expenditure—ordinary and extraordinary—of 44·14 lakhs (total 621·77 lakhs) leading to a surplus of 120·19 lakhs after providing for the two Reserves. In this, however, 28·31 lakhs were included on account of savings of the Departments. Excluding these, the net surplus for 1334 Fasli was expected to be 91·88 lakhs as against 29·72 lakhs in the Budget. The actual receipts are 783·17 lakhs, and the expenditure—ordinary and extraordinary

—628·71 lakhs. These, however, include the Departmental balances, which are 34·50 lakhs as against 28·31 lakhs in the Revised. The net surplus, therefore, finally booked in the accounts of 1334 Fasli is 119·96 lakhs, which is 28·08 lakhs better than the Revised figure and is 90·24 lakhs and 104·43 lakhs more than the Budget and the Normal, respectively.

The principal heads under which there has been an improvement over the Revised are, taking first the Revenue heads : Land Revenue ($2\frac{3}{4}$ lakhs), Forest ($1\frac{1}{4}$ lakhs), Customs ($3\frac{1}{2}$ lakhs), Excise ($5\frac{3}{4}$ lakhs), Opium and Ganja ($3\frac{1}{2}$ lakhs). The receipts under the heads for which the Finance Department is responsible were very closely forecasted in the Revised so that, whilst they amount to the heavy figures of 49·79 lakhs under Interest, 10·86 lakhs under Mint, Paper Currency and Exchange, and 37·73 lakhs, (more than double the normal), under Railways, the total addition to the receipts under these heads is only 2·68 lakhs over the Revised. On the other hand, Electricity and Workshop show an over-estimate of over a lakh over the Revised, which however is apparent only, as the actual profits had not been adjusted before the closing of the accounts. Under Development too even the $2\frac{2}{3}$ lakhs, to which figure the Revised had been reduced, did not materialise owing to the colonization work having been stopped, so that this Department is responsible for a diminution of $2\frac{1}{2}$ lakhs in the receipts.

On the expenditure side the chief heads which show Service further savings than were anticipated in Expenditure. the Revised are : Excise (1 lakh), Forest (1 lakh), General Administration (1 lakh), Mansabs (1 lakh), Military ($3\frac{1}{2}$ lakhs), Courts ($1\frac{1}{2}$ lakhs), Police ($1\frac{1}{2}$ lakh), Education (over 3 lakhs), Religious ($1\frac{1}{2}$ lakhs), Municipalities, P. W. D., and Irrigation ($2\frac{1}{4}$ lakhs), Printing ($1\frac{1}{4}$ lakh).

The Capital Expenditure which was 90·75 lakhs in the Budget and estimated at 72·08 lakhs in the Revised is 64·68 lakhs in the Accounts. The main heads responsible for this decrease over the Revised are Railway Capital and Compensation (11·40 lakhs against 16·60 lakhs), Electricity and Workshop (1·06 lakhs against 1·94 lakhs), Industries (·25 lakh), Irrigation (·09 lakh) and Telephone (·17 lakh).

The Debt Heads, instead of contributing 16½ lakhs to the Cash Balance as anticipated in the Budget, have depleted it to the extent of about 46 lakhs. The chief cause was the purchase of bullion which remained uncoined, partly owing to the import of cheap gold, which replaced the usual demand for minted silver for financing the cotton crop and partly the depreciation of the cotton crop itself by the untimely rains in the cold weather.

The year opened with a Cash Balance of 458·93 lakhs and closed with a Cash Balance of 453·54 lakhs or a decrease of 5·39 lakhs only, notwithstanding the fact that Capital Works to the extent of 64·68 lakhs were financed without the flotation of any loan, 14·69 were spent on Debenture Loan to the Shahabad Cement Company and New Issue Debentures of the N. G. S. Railway Metre Gauge Line and 153·16 lakhs worth of bullion purchased for coinage which, as already explained, could not subsequently be adjusted by the issue of the coin minted from it.

On the basis of these Actuals for 1334 Fasli, the final results of the last contract 1332-1334 F. can now be summarised.

SUMMARY OF
FINAL
RESULTS OF
LAST
CONTRACT.

The actual Surpluses during the past triennium have been 56·65 in 1332, 100·46 in 1333, and 154·46 in 1334. These, however, include Departmental savings amounting to 88·39, so that the net Surplus has been 223·18. The increase over the normal surplus (15·54) in the three years is thus found to be now 176·56 as against 148·51 shown in the last Budget Note. It will be remembered that I had proposed, and my proposal was approved of by Government, that this excess of 148·50 should be allocated to the Railway Reserve (130 lakhs) and the Famine Reserve (18·50). There remain therefore, now 28·06 lakhs still to be allocated under Departmentalization Rules as being the excess of the Actual over the Normal Surpluses during the currency of the last contract.

There is also available, on the expiry of the contract, for allocation under the Departmentalization Rules a moiety of the savings which the departments have left unutilised at the end of the triennial period.

Moiety of
Departmental
Savings.

On making up the final accounts of the departmental balances for the three years, this moiety is found to be 37·84; out of which an extra grant of 6 lakhs for the construction of roads in the Adilabad District had already been sanctioned by the Council, and I had suggested, with regard to the remainder, that savings, amounting to about 12½ lakhs, of the Departments of Internal Development, such as Education, Medical, etc., should be restored to them, the balance being given as grants to Local bodies for the construction of Water-works in the districts, purchase of stallions and bulls, and construction of buildings for the Judicial Department.

It was, however, ultimately decided that the special grants from this moiety should be sanctioned from time to time on specific requisitions coming up to the Executive Council; and in accordance with this decision, 2½ lakhs were given in the course of the year as an extra contribution to the Osmania General Hospital, 2 lakhs to the City Improvement Board for improvement of slums in the City and 15 lakhs for drainage in the City; or a total of 25½ lakhs leaving 12·34 lakhs still available for distribution. In the Budget for 1336 Fasli I have allowed 3 lakhs for development of roads in the Adilabad district, as in the previous years, 2 lakhs for the equipment of the Osmania General Hospital, and 5·47 for drainage, which makes a total of 10·47 lakhs, and practically exhausts this moiety.

As to the 28 lakhs which have remained unallocated from the total excess of 176½ lakhs over the Normal surpluses, I would recommend that 15 lakhs be given to the P. W. D. for the complete construction of specified roads including bridges. In the Budget Note for 1318 Fasli, which I had the honour to present 18 years ago when I was in charge of the Finance Department during the absence of Sir George Casson Walker, I had emphasised, that "it was necessary in the first place that there should be prepared a comprehensive programme of works for the whole State, to be systematically carried out in the coming years" and had particularly remarked as regards roads that "what was urgently needed was a careful survey of the country in which should be mapped out the existing roads, and their relative condition, as well as the new roads required and the year in which they would be made, having in

view both the railway lines at present running through the State and their proposed extensions. Without such a survey, His Highness' Government have no means of judging of the urgency or otherwise of the making of any particular road, and important connections may come to be overlooked in favour of comparatively minor extensions, in the system of road communications." Eight years later, in 1325 Fasli (1916 A.D.) a programme for roads in the Hyderabad State was sanctioned by Mr. Glancy in consultation with the Director-General of Revenue and the Chief Engineer, P.W.D. His Exalted Highness' Dominions, however, are still very inadequately supplied with roads, the total mileage being only 3,000 miles in an area of 82,698 sq. miles, and it is necessary that a fresh programme should be framed and sanctioned by the Council. For the construction of certain definite roads or bridges in such a programme, I recommend, notwithstanding the very heavy normal grants which the Finance Department has given both from and outside the revenue account to the Public Works Department, the special grant of 15 lakhs out of the accrued Surplus. I would also recommend 5 lakhs being given for grants to Local Funds for Water-works in such places as Medak and places especially on the railway line, which would receive, it is understood, immediate expansion if facilities for drinking water were made available. This grant I would make subject to the condition that the bodies subsidised bear at least some part of the cost and make due effort to see that a fair share of the interest charges is borne by those who will be benefited by these subventions. I would again press the claims of the Osmania Hospital for adequate equipment and suggest a grant of 3 lakhs for the purpose. The Stud Department is another, the demands of which we should anticipate. For some time past an elaborate scheme for its expansion has been under consideration in consultation with the Finance Department, who have been persuaded to believe that an adequate grant now to this department will lead ultimately to a material reduction in the expenditure on Remounts in the Military Department and also to, what is in a way more important, the revival of a breed of horses and cattle for which at one time the Dominions were famous. Three lakhs I would give to the Osmania University for the translation of books on Technology, Agriculture and Pedagogics, the Faculties for which will soon have to be established along with the Faculties of Medicine and

Engineering, for which the translation of the required text-books has already been taken in hand; so that it is hoped that the Osmania University will at no distant date have all the Faculties necessary in a modern University fully equipped. A small grant of Rs. 1,500 to the Archæological Department will enable it to obtain and publish permanent photographic records by the three-colour process of the unique frescoes of Ajanta for the conservation of which His Exalted Highness the Nizam's Government has with unstinted liberality adopted measures which have earned for them the deep gratitude of the world of Art and Archæology. The balance of the surplus, which with the unallotted moiety of departmental savings will be less than 2 lakhs, I ask, after reserving this small grant, in behalf of the Osmania Technical Institute, for which the Finance Department is responsible, and which with the aid of the magnificent workshop attached to the Mint, is doing so much to train young *mulkis* for foundry, carpentry, smithy and other useful work.

Having dealt with the last contract, I now proceed to deal with the Revised Estimates for 1335 Fasli, with which the current contract began and which is now coming to a close, and to show how far our Budget anticipations are expected to materialise. It will be remembered that the monsoon, on which this year's revenue depended, commenced abnormally with the result that the estimates had to be framed cautiously; but the later rains have more than made up for the early deficiency, so that the total receipts which were budgetted for at 728·98 are expected towards the end of the year to amount to 767·92, or an improvement of about 39 lakhs. To this, the ordinary Revenue Heads contribute 24 $\frac{3}{4}$ lakhs, (Land Revenue 5 lakhs, Forest, by Revenue and Forest Officers, 4 $\frac{3}{4}$ lakhs; Customs 6 $\frac{1}{2}$ lakhs, Excise and Opium 8 $\frac{3}{8}$ lakhs). The Finance Department heads of Interest, Mint, Paper Currency, Exchange and Railway add another 13 $\frac{1}{4}$ lakhs, the total receipts on account of Interest being expected to be almost 44 lakhs, Railways 31 $\frac{3}{4}$ lakhs, and Paper Currency 7 lakhs.

The Expenditure which was budgetted at 689·07 lakhs is expected to amount to 625·26 lakhs. This net reduction of 63·81 lakhs in the expenditure, however, includes 21·10 lakhs on account

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of savings of Departments which will be carried to their credit and 8·57 lakhs savings, which have been effected under the retrenchment orders of His Exalted Highness and set apart in the "Reserve for Reorganization," so that the net reduction in the Revised below the Budget is only 34·14 lakhs. The principal departments which contribute to this saving to Government are : Land Revenue $1\frac{1}{2}$ lakhs, Customs $1\frac{2}{3}$ lakhs, Excise $3\frac{1}{2}$ lakhs, Military $8\frac{1}{2}$ lakhs, Courts $1\frac{1}{2}$ lakhs, Police and Jails $4\frac{1}{2}$ lakhs, Education $6\frac{1}{2}$ lakhs, Co-operative Credit 1 lakh, Mansabs 1 lakh. The chief departments which have not been able to spend up to their full grants and will have savings to their credit for the next year are : Land Revenue and Customs, Forests and General Administration, each 1 lakh ; Military 4 lakhs, Courts $1\frac{1}{4}$ lakhs, Police and Jails $2\frac{1}{2}$ lakhs, Education $4\frac{2}{3}$ lakhs, Medical $2\frac{1}{5}$ lakhs, Veterinary and Co-operative Credit 1 lakh, Development 1 lakh and Printing $\frac{1}{2}$ lakh.

After making the necessary adjustments on account of extraordinary receipts and expenditure, mainly due to the accounts of moiety of Departmental savings lapsed to Government and the grants made by Government from them and from the surplus, and after providing 25 lakhs for the Famine and Debt Redemption Reserves ; the net surplus, which was calculated to be 58·11 lakhs in the Budget, is expected, according to the Revised figures, to amount to 103·77 lakhs, which is 56·57 lakhs more than the Normal and 45·66 lakhs more than the Budget.

The Capital Expenditure is expected to be $13\frac{1}{4}$ lakhs less, mainly under Railway Capital and Compensation amounting to $8\frac{1}{2}$ lakhs. Other departments which are not expected to spend as much as was provided for them are : Electricity and Workshop, which will between them save about 2 lakhs, and Printing another $2\frac{1}{2}$ lakhs out of the grant budgetted for their expansion.

The Budget provided for Investments amounting to $174\frac{2}{3}$ lakhs, mainly in the Railway and Famine Reserves. As stated at the time, the addition to the Railway Reserve has been kept in a liquid form in short term Deposits instead of being invested in Securities, so long as we have still a large amount of minted silver lying unissued.

The Cash Balance at the end of the year was 487·54 lakhs as against 452·09 lakhs in the Budget. To this betterment, Service Heads contribute 45·66 lakhs or, including 41·52 lakhs savings to the credit of the Departments, 87·18 lakhs ; there is an addition of 52·26 on account of the Opening Balance being to that extent actually more than what was taken in the Budget. The Capital Expenditure is also 13·19 lakhs less than the Budget. The sum total of these factors would have given an increase in the Cash Balance of 152·63, but the Debt Heads which were expected to bring in 308·98 lakhs have brought only 191·8 lakhs or 117·18 lakhs less than was anticipated. The main reason for the large decrease under the Debt Heads is that the two crores which were expected to be taken up in financing the cotton crop this year have again not been taken up. Thus the Closing Balance is now expected to be only 35·45 lakhs more than the Budget figure.

I now proceed to deal with the Budget Estimates for the coming year. The seasonal conditions although they gave cause for anxiety in the beginning, have so far not been disappointing; much, however, depends on the precipitations of the subsequent months. The Mahrathwara districts especially have had enough rainfall to ensure a good Kharif and cotton crop. The average rainfall of the Dominions up to the middle of August was about 14 as against 17 inches in the previous year, and only 8·18 in 1334 Fasli. I am therefore, framing my Budget Estimate on the Normal more or less in the light of the Revised for last year and I put down the receipts at 747·22 lakhs, which is 18·24 lakhs more than the Budget. The expenditure, I anticipate, will amount to 656·32 lakhs, which, as may be expected, is practically the same as the Budget for last year (655·50 lakhs). The gross surplus is thus expected to be 90·90 lakhs or 17·42 lakhs more than the gross surplus in the last year's Budget. From this, however, 25 lakhs should be deducted for Famine and Debt Redemption Reserves and 12·37 on account of "Reserve for Reorganization," being savings on account of various measures of retrenchment which were recommended by the Retrenchment Committee constituted by His Exalted Highness. The ordinary net surplus is therefore 53·53 lakhs which is 6·33 lakhs more than the Normal and 13·62 more than was budgetted for

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last year. Extraordinary grants amounting to 20·59 lakhs will be given in 1336 as against 16·81 lakhs in the last year's budget, which also had a windfall of 33·51 under extraordinary receipts on account of moiety of Departmental Savings to be credited to Government under the last contract.

The main Receipt heads for which increases are budgetted are : Forests about $2\frac{1}{5}$ lakhs, Customs 5 lakhs, Excise 5 lakhs, Opium and Ganja 2 lakhs. There are slight increases budgetted for under Interest, Paper Currency and Mint $1\frac{1}{2}$ lakhs, and Railway about $2\frac{1}{2}$ lakhs.

On the Expenditure side, the ordinary Revenue departments will show an increase of about a lakh; the Reserve for Reorganization $3\frac{3}{4}$ lakhs : but Municipality, Buildings and Irrigation a saving of about $2\frac{2}{3}$ lakhs, whilst out of extraordinary grants, Municipalities will show an increase of 5 lakhs on account of Drainage.

The Capital Expenditure is expected to be about 143 lakhs, only $1\frac{1}{2}$ lakhs more than last year, practically distributed under the same heads, namely : Irrigation $66\frac{3}{4}$ lakhs, Railway construction and Compensation about $69\frac{1}{4}$ lakhs, Electricity and Workshop about $2\frac{3}{4}$ lakhs, Central Press $2\frac{2}{3}$ lakhs, Industries $\frac{1}{2}$ lakh, Telephone in the City and districts $1\frac{1}{2}$ lakhs. The completion of Wyra, Paler, Raenpalli and Singabhupalayam projects will take up $9\frac{3}{4}$ lakhs of the total capital allotment for Irrigation, and leave 57 lakhs for the Nizam Sagar which is expected to be completed by 1339 Fasli at a further cost of 136·78 lakhs. Out of the Railway allotment, the N. G. S. Railway Company hope to spend by the end of 1336 Fasli about 2 crores 7 lakhs leaving a balance of 37 lakhs to be spent in the following year and open the Kazipett-Bellarshah line (144·68 miles) which will provide direct through connection between Madras and Delhi by April 1928. The Gadwal-Kurnool line has already been opened as far as Alampur on this side of the Tungabhadra ; the negotiations for the construction of the line in British territory linking it up to Kurnool have now been completed which will establish through Metre Gauge connection with Guntakal and consequently Marmagoa in the west, Bangalore in the south and for the present Manmad but ultimately when the gap between Hingoli and Khandwa has been completed, Delhi in the north.

With regard to Telephones, the Public Works Department, taking advantage of the material set free by the reconstruction of the Telephones in the City have commenced providing telephone connections in the districts. They expect to have not only telephone connections in the towns of Aurangabad, Jalna, Raichur and Warangal but also trunk lines between the first two places.

With regard to the Investment of balances, out of Investments. 73½ lakhs, 11½ lakhs will be invested in Railway Debentures and other scrip, and the balance will for the time being remain liquid in Bank deposits.

The closing Cash Balance is expected to be 466½ lakhs or about 21 lakhs less than the balance with which we begin. We still hope to carry on this year also without the flotation of any loan, although we shall have spent 143 lakhs on capital expenditure and 11½ lakhs on investments other than in cash.

Our different Reserves are expected at the close of 1336 Fasli to stand as follows:—Debt Reserves. Redemption Reserve 98 lakhs (11½ lakhs liquid), Famine Reserve 106 lakhs (35 lakhs liquid), the Reserve for the purchase of the N. G. S. Railway 296 lakhs (178 lakhs liquid), the Reserve for the stabilization of our Osmania Sicca Currency 266 lakhs (16 lakhs liquid), and the Deposits Reserve for covering liabilities for the money lying at interest on deposit with us 92½ lakhs (44½ lakhs liquid), besides 26·91 lakhs £ sterling securities and 37 lakhs B.G. Shahabad Cement and Singareni Collieries Debentures, etc. A large portion of the Railway and Deposits Reserves has had to be kept in liquid form, but I have still hopes that with the bright seasonal conditions this year there may be a much greater demand for our currency for the movement of the cotton crops in December, which may set free a large amount of the minted silver (237 lakhs) we have in the Mint. The Paper Currency Reserve will be 365·97 lakhs (303 lakhs liquid).

CONCLUSION. Contrasting the position as it is expected to be at the end of 1336 Fasli with what it was at the beginning of 1331 Fasli, Capital Expenditure to the extent of 579½ lakhs will have been incurred ; and additions to the different Reserves otherwise than in cash will have been made to the amount of

133·68 lakhs B.G. face-value of Government securities ; besides Sterling investments of the face-value of £ 6·15 lakhs, and Shahabad Cement and Singareni Collieries Debentures and shares of 37 lakhs, B.G. These figures exclude an addition of 29·39 lakhs B.G. to the Paper Currency Reserve. On the other hand the reduction in the Cash Balance will have been only about 55 lakhs and about 54 lakhs obtained from Loan Funds. Even this reduction in the Cash Balance is due to the fact that I have this year taken credit for the balance of minted silver lying in the Mint (over 2 crores) in the estimated Cash Balance not, as we used to do, at the face-value of our anticipated issue of coin to finance the cotton crops, but at much less than even its bullion value. I have done so, not only in order to make as conservative an estimate as possible of the Cash Balance but also because I find there are increasing indications, confirming the view which I have held for some years past, that our currency will soon reach, if it has not already reached, practically saturation point ; so that we cannot hope for the same demand for fresh currency year by year in the future which we have had in the past.

The savings by Departments of Internal Development and Protection, which I have indicated in the Revised, show that all of them have still got ample resources for further expansion. I have no doubt but that, by the time these departments have been able to work up to their full allotments, our receipts will have increased sufficiently to enable the Finance Department to give them enhanced normal grants in addition to the special grants that are being distributed to them from the General surpluses actually accruing in excess of the normal. There is for instance the Customs revenue, in which considerable increase may legitimately be expected with the reorganization of that Department. The Land Revenue should also show material increase now that the revised Settlements are being announced and especially when the large schemes on which the Irrigation Department has embarked come to fruition and bring in the revenue on the basis of which the construction of several of these—notably the most expensive the Nizam Sagar Project,—was mainly justified. This will also, it is hoped, lighten the ever-increasing burden which these schemes are at present imposing because of the heavy interest charges which Government have indirectly to bear on their account—indirectly, as these charges are

not debited to the Department but are none the less burthensome as they tax our revenue resources to the extent of over 14 lakhs a year at present (being the simple interest at six per cent. on the expenditure of over 235 lakhs incurred up to the end of the year on Capital works) the interest will have mounted up to over 22 lakhs a year or a total of 95 lakhs since 1332 F. by the time they are all completed in the course of the next four years as it is hoped they will be, within the sanctioned estimates amounting to over 372 lakhs. Then there are the Railways, which in less than 8 years are expected to become the property of the Government, when they are bound to give an addition of not less than half a crore to our annual income.

So far, therefore, as the position of Hyderabad finance is concerned, we may confidently hope that our resources will be sufficient to sustain the measures of development and reform which after all are the main justification for an ever-increasing revenue. Since the time of Sir George Casson Walker, however, whose death in the course of this year, we have had to deplore, as the loss of one who with unceasing energy and industry and wide grasp of financial problems placed Hyderabad finance on the strong foundation on which we find it to be, the Finance Department have always realised that it was necessary that Hyderabad should not only have sufficient *money* but also efficient *men*. It was for this reason that one of the first measures which the Finance Department carried through during Sir George's regime, was the revival of a systematised grant of European and Asiatic Scholarships for a number of promising Hyderabadis every year, tenable in British India and in Europe, to enable them to qualify themselves on their return for responsible posts especially in the technical branches of the administration like Medicine, Engineering, etc. The Department also advocated the institution, under carefully thought out rules, of a Civil Service Class to train up workers efficient for the general civil service of the State. The sanction to the second proposal was entirely due to the far-sighted statesmanship of His Exalted Highness notwithstanding considerable opposition at the time. He not only commanded the establishment of this Class but also later on, when for a time it had had to be suspended owing to excessive recruitment, ordered its revival only a few months ago. The first batch is now receiving training and as time goes on civilians trained under this

system, together with the large number of men educated abroad by the help of scholarships and loans, and the Graduates of the Osmania University, (the establishment of which is also one of the epochal events of His Exalted Highness' reign) will, it is hoped, provide a band of educated, enthusiastic and patriotic workers who will see that the ample resources at their disposal are fully utilised so as to increase the prestige of the Premier State and its Ruler and the happiness and prosperity of the people.

HYDAR N. JUNG,
Finance Member.

HYDERABAD (DECCAN),

1st Aban 1335 F.

6th September 1926.

Budget Note for 1337 Fasli

THE present Budget Note deals with the figures of the three years constituting the second triennium of the system of Departmental contracts, namely, the Actual figures of the accounts as finally closed for 1335 Fasli, the Revised Estimates for 1336 Fasli, showing how far the figures of the current year, judging from their course during the last 8 months, show signs of variation from the Budget anticipations, and lastly and mainly the Budget Estimates for the coming year, 1337 Fasli.

Beginning first with the Actuals for 1335 Fasli, the Ordinary Receipts had been budgetted for at 729 lakhs and the Expenditure, including $8\frac{1}{2}$ lakhs under the Reserve for Reorganization and Development, and 25 lakhs on account of the Famine and Debt Redemption Reserves, at 689 lakhs, working to a surplus of 40 lakhs. These figures had been corrected in the Revised to about 768 lakhs Receipts, $625\frac{1}{3}$ lakhs Expenditure, and $142\frac{2}{3}$ lakhs Surplus. In the final Accounts the Surplus has worked out to 162 lakhs, the Receipts being $778\frac{1}{3}$ lakhs and the Expenditure $616\frac{1}{3}$ lakhs. This Surplus, however, includes $41\frac{1}{4}$ lakhs (taken in the Revised at $29\frac{2}{3}$ lakhs) which the Departments have saved from their budget grants for 1335 Fasli and which they still keep to their credit for expenditure in the remaining years of the contract. Deducting this figure, the Accounts for 1335 Fasli disclose a net Surplus of $120\frac{2}{3}$ lakhs as against a Revised of 113 lakhs and a Budget estimation of 40 lakhs.

The chief reason for this marked improvement on the Receipts side is that the Budget Estimates had been framed cautiously, in view of the abnormal character, which the monsoon had up to that time disclosed. The later rains, however, were favourable, with the result that the Principal Heads of Revenue, which depend on seasonal conditions, have brought in an increase of over $37\frac{1}{2}$ lakhs. Land Revenue shows the record figure of 3 crores and $10\frac{2}{3}$ lakhs, which is $15\frac{2}{3}$ lakhs more than what was budgetted for ; how far

the factors that have contributed towards this marked increase are permanent and how far purely temporary is under investigation of the Revenue Department. Forest revenue collected by Land Revenue and Forest Officers is $4\frac{1}{2}$ lakhs and Customs 10 lakhs more than the Budget (being $19\frac{1}{2}$ lakhs and 135 lakhs respectively), whilst there is an advance of $7\frac{1}{2}$ lakhs under Excise, Opium and Ganja, the total revenue under which has been booked at $165\frac{1}{2}$ lakhs. Among the Finance heads, Interest has been maintained practically at the Budget figure of 42 lakhs, and is 2 lakhs more than the Normal, notwithstanding the great tax which the financing of Capital Works, has imposed on the cash balances and the general tendency towards decline in the rate of interest which is noticeable in British India. The other Finance heads show satisfactory expansion : Paper Currency $6\frac{3}{4}$ lakhs against $3\frac{1}{2}$ lakhs budgetted for, whilst Railways are better by about 9 lakhs and brought in a total of 32 lakhs to the revenues of the State in 1335 Fasli. The only heads of Receipts, which shew any material decrease, are Registration and Stamps which together were about a lakh less than the Normal and the Budget anticipations, and were recorded at a total of $20\frac{3}{4}$ lakhs.

The Ordinary Expenditure including the Famine and Debt Redemption Reserve was budgetted for at 689 lakhs. The actual expenditure is $616\frac{1}{2}$ lakhs. This, however, excludes $41\frac{1}{2}$ lakhs which the Departments have saved during the year and which remain available for them for the subsequent years of the contract and thus the net decrease in expenditure which can for the present be taken into account is $31\frac{1}{2}$ lakhs. The Departments of Land and other Revenues shows a saving of $4\frac{1}{2}$ lakhs, and General Administration $2\frac{1}{2}$ lakhs, Military $9\frac{1}{2}$ lakhs, Courts 1 lakh, Police $3\frac{1}{2}$ lakhs, Education 3 lakhs, Religious and Mansabs about $1\frac{1}{4}$ lakhs each, Medical and Municipal and Public Improvements about 1 lakh each.

Taking next the figures of Extraordinary Receipts and Expenditure, there is an increase of 3 lakhs under the former, as the moiety of departmental savings, which were brought forward and credited to General Revenues from the previous contract, was actually over $37\frac{3}{4}$ lakhs as against $33\frac{1}{2}$ lakhs budgetted for ; whilst there is a nominal decrease of $1\frac{1}{2}$ lakhs under Transfers from Famine Reserve for expenditure per contra. On the Expenditure side, $16\frac{3}{4}$ lakhs

were allotted in the Budget mainly for Drainage, Delhi Palace and Development works in the Adilabad District. Subsequently after the Budget had been passed, special grants, amounting to about $36\frac{1}{4}$ lakhs, were made by the Executive Council, bringing the total of the extraordinary grants to 53 lakhs. These extra grants were : $18\frac{1}{2}$ lakhs transferred to the Famine Reserve in addition to the annual transfer of 15 lakhs, 15 lakhs towards carrying out the large scheme of drainage for Hyderabad City designed by Sir M. Visveswarayya, 2 lakhs to the Hyderabad City Improvement Board, and $\frac{1}{2}$ lakh in donations for Relief Work in Syria, Morocco, etc. Out of the total of 53 lakhs thus sanctioned as Extraordinary grants, $29\frac{1}{4}$ lakhs were spent, leaving $14\frac{3}{4}$ lakhs mainly for Drainage which remained available for expenditure in subsequent years and $8\frac{3}{4}$ lakhs mainly under Delhi Palace which finally lapsed to Government. The net result of these Extraordinary Receipts and Expenditure was that, whilst in the Budget the former exceeded the latter by $18\frac{1}{4}$ lakhs, in the final Accounts the process was reversed, the expenditure was in excess of the receipts by $6\frac{1}{4}$ lakhs and thus the net surplus, which, taking into account only the Ordinary receipts and expenditure, had been budgetted at 40 lakhs but including the Extraordinary figures at 58 lakhs, was actually $56\frac{1}{2}$ lakhs more or about $114\frac{1}{2}$ lakhs in all.

Capital Expenditure was estimated at $141\frac{2}{3}$ lakhs.

(ii) **Capital Expenditure.** The Actuals are less by about 21 lakhs, mainly due to less expenditure under Railway construction and land compensation amounting to $17\frac{1}{2}$ lakhs ; the decrease of the remaining $3\frac{1}{2}$ lakhs being under Workshop and Printing.

The provision for Investments which was $174\frac{2}{3}$ lakhs in the Budget has been utilised to the extent of $165\frac{1}{2}$ lakhs only. The comparatively small reduction is due to the fact that the N.G.S. Railway did not require the advance of B.G. 10 lakhs (equivalent to $11\frac{2}{3}$ lakhs O.S.) for ordinary capitals renewal, which otherwise would have been made to them in the form of interest bearing Debentures. On the other hand, the Shahabad Cement Company were given a Debenture Loan of about $2\frac{1}{2}$ lakhs to complete the help which the Government have given to this Company in building up one of the best equipped and most up-to-date cement making concerns in India, the successful working

(iii) **Investments.**

of which may be gauged from the fact that its shares are now commanding a premium of over 10 per cent.

The actual figures under Debt Heads may be summarised as follows :— $1\frac{2}{3}$ lakhs less than (iv) Debt Heads. was anticipated were presented for repayment of the 1307 and the short term loans. It was expected in the Budget that the different Reserves would bring in $119\frac{1}{2}$ lakhs to the Cash Balances. They have brought in $143\frac{3}{4}$ lakhs, so that the Cash Balance is $24\frac{1}{4}$ lakhs better on this account than what was budgetted for. The Deposits have added another $41\frac{1}{2}$ lakhs mainly owing to 30 lakhs from the Paigahs, $5\frac{1}{2}$ lakhs from Wanparti and $11\frac{2}{3}$ lakhs from the Court of Wards, counterbalanced by a decrease of 5 lakhs in Post Office Savings Banks Deposits. On the other hand, the Advance and Remittance Heads have shown a decrease amounting to about $123\frac{1}{2}$ lakhs, mainly due to the absence of the demand for O.S. currency owing to the bad conditions of the cotton export trade, which did not take away any portion of the silver in our Mint.

Summarising the effects of the above factors on our (v) Cash Balance Cash Balances, the Budget anticipated an Opening Cash Balance of $401\frac{1}{4}$ lakhs and a Closing Cash Balance of 452 lakhs. The year actually closed with a Cash Balance of $534\frac{1}{2}$ lakhs. This betterment of $82\frac{1}{2}$ lakhs may be accounted for by the Opening Balance having been $52\frac{1}{4}$ lakhs more than what had been anticipated (*viz.*, $453\frac{1}{2}$ lakhs against $401\frac{1}{4}$ lakhs) whilst Capital Expenditure and Investments were a little below 30 lakhs less than the Budget ; the increase of $56\frac{1}{2}$ lakhs in the Surplus under Service Heads having been counterbalanced by less incomings to an almost equivalent extent under the Debt Heads.

Coming now to the Revised Estimates, which as usual need not detain me, long, the Ordinary Receipts, from the information I have so far been able to obtain, are expected to aggregate $754\frac{3}{4}$ lakhs as against a Budget of $747\frac{1}{4}$ lakhs, that is, $7\frac{1}{2}$ lakhs more than anticipated. The main source of the increase is Railway Receipts which will be better by $13\frac{3}{4}$ lakhs, and are expected to figure up to almost 40 lakhs ($39\frac{1}{2}$ lakhs). The other increases are about a lakh under Forests and about half a lakh under Mines. On the other hand, it is anticipated that the Land Revenue will be less than even the cautious figures of 295 lakhs of the Budget by about 2 lakhs,

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owing to the rains having been late and unequally distributed. Customs also are expected to show a sympathetic decrease of $6\frac{1}{4}$ lakhs, that is, $123\frac{3}{4}$ lakhs, as against a Budget of 130 lakhs, and a Normal of 125 lakhs. The decrease will be in the districts mainly under imports ; the City and Secunderabad receipts which go only partially to General Revenue, show, as a matter of fact, an increase of $4\frac{1}{2}$ lakhs.

The Ordinary Expenditure, including 25 lakhs for the
 Expenditure. Famine and Debt Redemption Reserves, is expected to be $56\frac{3}{4}$ lakhs less than the Budget Estimate, being a little over 637 lakhs as against $693\frac{3}{4}$ lakhs budgetted. The Ordinary gross surplus will, therefore, exceed the Budget anticipation by 64 lakhs and amount to $117\frac{3}{4}$ lakhs.

In this figure, however, $30\frac{3}{4}$ lakhs are included, which represent the savings of the Departments from their budget grants during the year, which will continue to be available for them during the next year and which cannot at present be considered as part of a clear surplus. The net Surplus, therefore, which in the Budget was expected to be $53\frac{1}{2}$ lakhs, is in the Revised Estimates expected to be 87 lakhs or about $33\frac{1}{2}$ lakhs more.

The Budget had given extraordinary grants amount-
 Extraordinary, ing to over $20\frac{1}{2}$ lakhs mainly on account of the City Drainage Scheme, Delhi Palace, Adilabad development and the Osmania General Hospital. In the course of the year 4 lakhs more were given for Development and 3 lakhs for Famine Relief Work, to start relief works and to meet distress in certain talukas of Raichur and Nalgonda. This latter however is only an adjustment as its equivalent comes from the accumulations of the Famine Reserve as extraordinary receipts.

The total Capital Expenditure is expected to amount
 Capital to as much as was budgetted, that is
 Expenditure. $143\frac{1}{4}$ lakhs ; in its distribution, however, there will be a slight change. Owing to an alteration in their programme, the Irrigation Department will require 5 lakhs more to finance their Capital Works than what they had originally estimated. Railways on the other hand, will not require any additional amount for Land Compensation, which means a saving of 2 lakhs, and Printing also which had a provision of $2\frac{3}{4}$ lakhs for the expansion of the Press will require only about $\frac{1}{4}$ lakh.

The full amount of $73\frac{1}{4}$ lakhs earmarked for Investment is expected to be utilised.

The Debt Heads, it was anticipated, would strengthen the Cash Balance by about 162 lakhs. Owing, however, to the same causes as were operating last year, namely, the absence of any demand for Osmania Sicca silver currency owing to an indifferent cotton export season, the increase will be only $114\frac{1}{2}$ lakhs or $47\frac{1}{2}$ lakhs less than anticipated.

This decrease, in its effect on the Cash Balance, is practically almost exactly counter-balanced by the Opening Cash Balance of the year having been 47 lakhs more than what had been anticipated when the Budget was framed. The year 1336 Fasli will accordingly, it is expected, close with a Cash Balance of 495 lakhs as against $466\frac{1}{2}$ lakhs in the Budget, the increase being due entirely to the net excess of Service Receipts over Expenditure.

I now proceed to the main burden of my theme—
 BUDGET FOR the Budget for the coming year. I propose for 1337 Fasli a budget on the Receipt side of 767 lakhs and $702\frac{1}{2}$ lakhs on the Expenditure side, thus leaving, after setting apart as usual, 25 lakhs for the Famine and Debt Redemption Reserves, a Surplus of about $64\frac{1}{2}$ lakhs which will be 11 lakhs in advance of the previous year, and $17\frac{1}{4}$ lakhs over the Normal of $47\frac{1}{4}$ lakhs.

The estimate of the total Receipts at 767 lakhs is about 20 lakhs more than the previous year's Budget and 37 lakhs more than what was put down in the Normal. The increases and decreases are practically the same as those in which variations from the Normal were made last year, with one marked exception—Land Revenue—in which I restore the normal figure of 3 crores. In view of the bountiful rains we have so far had, I should have, in the light of the figures for 1335 Fasli, in which over 310 lakhs had been recorded under this head, ventured upon a higher figure. I have, however, not been able so far to ascertain the exact of this record figure, and to determine how far they were permanent as indicating increased revenue from revised settlements which are being announced and how far temporary as being due to larger recoveries of arrears. I have accordingly for this year considered it prudent to

keep to the normal figure of 3 crores for Land Revenue and estimated it at only 5 lakhs more than the Budget for last year. Under Forests, by Land Revenue and Forest Officers, I budget 3 lakhs more than the Normal and practically the same as last year—18 lakhs in all ; this head is showing signs of steady increase, owing particularly to the demand for timber for railway lines and other works under construction. Customs, I estimate at 132½ lakhs which is 2½ lakhs more than the Budget of last year, which in itself was 5 lakhs more than the Normal ; better trade and enhancement in the export and import duties on certain articles justify the increase. It remains to be seen how far the Tariff Commission's proposals, which are long overdue, will allow the present figures under this head to continue in future years. Excise and Opium are again expected to show an increase mainly under Sendhi and Gulmohwa. Last year these two heads were budgetted for at 165 lakhs as against the normal of 156 lakhs. For next year a further increase of 6½ lakhs is anticipated. The other head which is showing marked expansion is Railways. It was fixed at 25½ lakhs in the Budget for last year, and I am now budgetting 33 lakhs for the coming year ; about two-third of this increase is due to the old railways and the remaining one-third to the railways more recently opened. On the other hand the decreases as compared with last year's figures are few and minor in quantity. Stamps and Registration again show a decrease of about ½ lakh, Electricity and Workshop also are ⅔ lakh less ; it is, however, expected that the very expensive installation which was fixed up some years ago is now reaching the stage when it will begin to bring in an adequate return. I am also budgetting for ½ lakh less under Interest ; it will still be 2½ lakhs over the Normal and be at the considerable figure of 42½ lakhs. The reason for the slight decrease under this head is the enormous extent to which we are financing our heavy capital programmes of Railway and Irrigation Works without any loan and the tendency in British India of the rate of interest to fall, which affects also the rates we obtain on our liquid deposits with the Banks. The decrease would have been somewhat greater but for the reduction in the rate of English Income-tax and the increased interest which will be obtained by the conversion, I have effected this year, of certain Government of India paper from Rupee into Sterling Securities. There is, an entry of 1½ lakhs shown under Extraordinary under

Famine Reserve, which is more of the nature of an adjustment, being the amount transferred from the Famine Reserve to meet the expenditure on account of two roads, started as famine relief works as a preliminary measure to meet distress (which happily did not develop into more serious proportions) in the Raichur and Nalgonda districts.

The Expenditure for 1337 Fasli, I estimate, including the provision for Famine and Debt Redemption Reserves and for Reorganization and Development constituted by the retrenchments effected under His Exalted Highness' Firman, at 702½ lakhs against 682½ lakhs in the Normal and 693½ lakhs in the last year's Budget. Under the scheme of Departmentalization, the deflections of budgetted expenditure from the previous Budget of the same triennium must obviously be small and due to those elements which, under the rules, allow departure from the Normal, as for instance, retrenchments effected under recommendations of the salaries commission or ordinary grade increments or appointments on minimum pay on the vacation of appointments by incumbents on higher pay. The increases in the Budget of 1337 Fasli as against the Budget for 1336 Fasli due to other causes amount to 8½ lakhs of which 3½ lakhs under excise is purely an adjustment owing to increased amount paid to the Residency for Excise in the Administered Areas and is counterbalanced by a corresponding increase on the receipt side. An increase of 2 lakhs is under General Administration and Police, owing partly to the differences in salary consequent on changes in the Executive Council and in the Revenue and Police Departments and partly owing to the working of the Hyderabad Civil Service Class, on which, as I have said before, the improvement in future of the personnel of the Hyderabad administration so much depends. There is lastly an increase of over a lakh under Interest on account of increased deposits from Insurance and Depreciation Funds and Jagirdars under the Court of Wards.

Although the variations of expenditure in the Budget from year to year during the currency of a contract remain within very narrow limits, it must on no account be supposed, as I have repeatedly pointed out, that this means the confinement of the expenditure of progressive departments within cast iron bounds or implies their being kept stationary and their development arrested till the end of the triennial contract. In the first place,

each contract is framed on generous lines which takes due count of the demands made by the departments for the progress they expect to make during the whole period of the contract ; and for that purpose keeps at their credit the unspent grant from year to year and has even a moiety of the savings of the previous contract transferred to them. A glance at the large amounts which each department has at its credit on account of savings up to the end of the current year aggregating to over $91\frac{1}{2}$ lakhs will show how substantial these reserves are. To name only the Departments of Protection and Internal Development, I find that Military will have at its credit a balance of $4\frac{1}{4}$ lakhs, Courts $\frac{1}{2}$ lakh, Jails $3\frac{2}{3}$ lakhs, Police $4\frac{3}{4}$ lakhs, Education $6\frac{1}{2}$ lakhs, Medicine $4\frac{1}{4}$ lakhs, Religious $\frac{1}{2}$ lakh, Agriculture $1\frac{1}{3}$ lakhs, Veterinary Department $2\frac{1}{3}$ lakhs, Municipalities and Public Improvements 14 lakhs, Buildings and Communications $12\frac{1}{2}$ lakhs, Irrigation over 2 lakhs, Printing $\frac{3}{4}$ lakh, Industries $\frac{1}{2}$ lakh and the special head Reserve for Reorganization $18\frac{2}{3}$ lakhs. The proposals, so far received for expenditure from these balances, amount to $23\frac{1}{3}$ lakhs and include $\frac{2}{3}$ lakh for improvement of equipment in the Military, about 3 lakhs under Education, over a lakh for a demonstration farm at Himayat Sagar, etc., under Agriculture, $8\frac{1}{4}$ lakhs for Hyderabad drainage, and 8 lakhs for the building of new quarters for the Imperial Service Troops and additions and alterations to the Osmania General Hospital under Public Works.

Then, secondly, there is another feature also of the Scheme of Departmentalization which provides for the giving of whatever help is required by progressive departments for expansion during the currency of the contract and that is, the system of extraordinary grants which are made from a surplus that has already accrued (as distinguished from surpluses which are only anticipated in the future).

In 1336 Fasli the Extraordinary grants which were made above the Normal amounted to $20\frac{1}{2}$ lakhs, in 1337 Fasli they will be $21\frac{2}{3}$ lakhs. They will be almost the same as last year and practically all for Pulic Works: namely, about $10\frac{1}{4}$ lakhs for Drainage and Chilkulguda Water-works, 7 lakhs for Delhi Palace, $1\frac{1}{4}$ lakhs for Famine Works, 3 lakhs extra grant for Development works in the Adilabad District ; a small amount of 16,000 will be on account of restoration of the other moiety of their savings to the Nizam College, in accordance with the resolution of the Executive Council, which was passed

too late to enable action being taken, when the allocation of the total moiety of all the Departments was considered.

These are the extra grants to which the Finance Department has already committed itself in the course of the year. Any further grants it will be for the Executive Council to make either on the presentation of this Budget or in the course of the next year or on the submission of the next year's Budget, when the Council will have before it the actual surplus of the first two years and the revised figures of the last years of the contract. I can only indicate here some of the demands which will require the consideration of the Council. The Public Works Department has framed its programme in Adilabad and some other development areas on a scale which will require probably in the interests of ultimate economy some addition to their grant, which even as it is, is in itself a very heavy burden on the finances of the State, being over a crore and a half out of a total revenue of about $7\frac{3}{4}$ crores besides almost $\frac{2}{3}$ crore on Capital Irrigation Works. It is also high time that the Osmania University is housed in buildings and on a site worthy of its position as the cultural centre of the Nizam's Dominions to enable it to discharge successfully its functions of a residential University, which under its Charter embraces within its fold not only the Faculties of Art and Science but also those of Law, Engineering, Medicine and Technology. Commerce and Industries, Agriculture and Co-operative Credit may possibly require some addition, notwithstanding the large balances these departments have got, if the present Director-General, under whom these departments have been brought, is able to carry into practical effect, before the present contract ends, the several schemes he has in view.

Thus the Service Receipts and Expenditure—Ordinary and Extraordinary—are estimated at over 768 lakhs and 724 lakhs, respectively, showing a net Surplus of 44 lakhs after making provision for the Famine and Debt Redemption Reserves and leaving over 68 lakhs to the credit of the Departments.

Coming next to Capital Expenditure, $136\frac{1}{2}$ lakhs are Capital Expenditure. expected to be spent—about $6\frac{1}{2}$ lakhs less than last year. Out of this $63\frac{1}{2}$ lakhs, as against $66\frac{3}{4}$ lakhs last year, will be allotted for Nizam Sagar and other sanctioned Irrigation projects. For Railway Construction $69\frac{1}{4}$ lakhs were budgetted for

last year, in the coming year 67 lakhs are allotted for the completion of the Kazipet-Bellarshah line and the construction of two feeder lines (Parbhani to Parli, which has been already sanctioned, and Vikarabad to Bidar, which is under survey) which will be both undertaken as part of a regular programme, in pursuance of the policy sanctioned by His Exalted Highness for the expansion of Railways in the Dominions.

Under Investments a provision of 37 lakhs is made, of which 18 lakhs is in accordance with the decision arrived at last year to make an annual addition to that extent to the Railway Reserve, so that it might be sufficient for the purchase of the N. G. S. Railway in 1934. It is expected that the Railway will also issue Debentures for a renewal of their stock to the extent of about $5\frac{3}{4}$ lakhs, which Government will take up themselves, so as not only to fetch an adequate interest but also to lessen the burden of the purchase price in 1934. Over $13\frac{1}{2}$ lakhs will be invested in the Deposits Reserve to correspond to the amount of deposits (on which interest is payable) which Government expect to receive.

The Debt Heads transactions are expected to bring in over a crore and a half (about $153\frac{3}{4}$ lakhs) to the Cash Balance. About half of this—three quarters of a crore—will be from the different Reserves, as the greater portion of them will not be invested in Stock but kept at interest in fixed deposit in the Imperial and Central Banks. One crore is estimated as the least amount of fresh O.S. currency which will have to be issued in exchange for B.G.'s to finance the cotton crop, the demand for which, owing to the favourable character of the monsoon as it has developed so far and the market reports of price that are being received from outside, ought to be a heavy one. About a quarter of a crore, ($23\frac{1}{2}$ lakhs) on the other hand must be set off on account of appropriations that will be made for service expenditure from the departmental balances. There is under Debt Heads an item, comparatively very small, of an advance of about $\frac{1}{3}$ of a lakh which, however, will be welcomed by all interested in Indian Art and Archæology as being given for bringing out the first volume of reproductions of the famous frescoes in Ajanta by the three-colour process, from plates which had been taken

by an expert photographer from England from the special grant made for the purpose last year.

The Cash Balance which is expected to open with about 495 lakhs is expected to close with Cash Balance. 519 $\frac{1}{4}$ lakhs. The increase of 24 $\frac{1}{4}$ lakhs is due, through causes previously explained, of an excess of 44 lakhs in Revenue receipts over Service expenditure and of 153 $\frac{3}{4}$ lakhs in the Debt receipts over disbursements, counterbalanced by an expenditure of 173 $\frac{1}{2}$ lakhs on account of Capital expenditure and Investments.

The Reserves are expected at the end of the year to stand at 15 crores 8 $\frac{3}{4}$ lakhs of which 11 Reserves. crores 71 $\frac{3}{4}$ lakhs (face-value) will be in Stock of the Government of India, Railways, etc., and 3 crores 37 lakhs in fixed deposits in the Imperial and Central Banks. The Famine and Debt Redemption Reserves will be respectively 1 crore 33 and 1 crore 25 $\frac{3}{4}$ lakhs, and the Deposits Reserve 1 crore and 2 lakhs. The Reserves for the purchase of the Railway will be 7 crores 74 $\frac{1}{2}$ lakhs, and will consist of two parts—one of Government of India and other Paper and Fixed Deposits in Banks amounting to 3 crores 61 $\frac{3}{4}$ lakhs and the other Railway Stock and Debentures amounting to 4 crores 12 $\frac{3}{4}$ lakhs. The former is being accumulated to pay the purchase price of the Railway in 1934 as due to the English Shareholders, the latter represents that portion of the capital of the Railway which will have been owned by the Government and therefore not required to be paid off. Government Securities in the Paper Currency Reserve will amount to 71 $\frac{2}{3}$ lakhs, the remaining amount of paper in circulation being covered in O.S. amounting to 3 crores and 63 $\frac{2}{3}$ lakhs. The Stabilization of the Osmania Sicca is ensured by a Reserve of 3 crores 1 $\frac{3}{4}$ lakhs from Profits on Coinage.

It is interesting to note that the quotations of His Exalted Highness' Government Paper and of the three large industrial concerns in which Government has a direct interest show a continuous advance. His Exalted Highness' 6 per cent. Government Paper—payable in 1339-41 F. is at 106 $\frac{1}{2}$ and that payable in 1352 and 1361 F. at 116. The Singareni Collieries ordinary shares are at par and debentures at 7 $\frac{1}{2}$ per cent. premium, whilst the Stock of the Shahabad Cement Company is difficult to obtain even at a premium of 10 per cent. The continuous advance in the price of N.G.S. Railway Stock is

remarkable. In September 1921 when I presented my first Budget Note it stood at its bottom price of 62 ; the following year it had gone up to 84, in 1923 it was quoted at par, and in 1924 at 18 premium. The September quotations for the year before last were near 135, in 1926 they were 190 and according to the latest quotations available the Stock now stands at 210. There cannot be a more eloquent testimony to the efficient management of our Railways by Mr. Lloyd Jones, who has been our Agent since 1919 and of our London Board of Directors.

Although so far the actual figures of only the first year of the second triennial contract are available, it will be seen from the Estimates which have been submitted of the revised figures for the present year and the budget allotments for the next year that we shall have spent over 4 crores on Capital Expenditure on Irrigation and Railway projects and laid aside $1\frac{1}{2}$ crores in the different Reserves excluding almost an equivalent amount ($148\frac{1}{2}$ lakhs) which has been invested from the surplus of the last contract. Even assuming that all the Departments spend the full amount of their Departmental Balances which stand at present at a total figure of $91\frac{1}{2}$ lakhs and after deducting about half a crore on account of extraordinary grants already made, there will be an accumulated surplus in three years of about 2 crores and 20 lakhs, a considerable portion of which will be available for allocation for objects like the development of roads, provision of public buildings for housing the University, Schools, Courts and Offices in the Dominions ; grants for water-supply and drainage in the districts ; constitution of a fund for State aid to industries, the corpus of which (I would start with a crore of rupees) could be made available for giving help in the shape of Debentures or loans or advances at a moderate rate of interest to large industrial enterprises and the interest itself used in helping smaller industries, for both of which purposes a detailed economic and industrial survey of the Dominions by competent experts (which had been proposed by me years ago as Financial Secretary) would be a valuable guide. At the same time the ordinary revenues of the State will be sufficient to meet the increased grants that will inevitably be required in the next contract for expanding departments like Education, Sanitation, Agriculture, Commerce and Industries.

These results, therefore, show that the evenly prosperous era of Hyderabad finance which began in the time of my revered chief—Sir George Casson Walker—now unhappily no more—with a heavy legacy of unproductive debt, and continued, notwithstanding the stress of a world-wide war and unfavourable seasonal conditions, under the skilful guidance of my friend the Hon'ble Mr. Glancy—who I trust and pray has still many years of work and distinction before him—still pursues its smooth course and is now, through the system of departmental finance and specific Reserves for specific objects, on foundations which may under Providence be considered as reasonably assured for the future. Thus, as I said in my last budget note, Hyderabad has sufficient *money* for a progressive and enlightened administration. It now requires efficient *men* who will use the ample resources of their country with wisdom and integrity and these we hope to get and have a right to expect from the several measures which have all been sanctioned and effected in His Exalted Highness' reign—the grant of scholarships for the education of promising Hyderabadis in Europe and British India, the establishment of a Civil Service Class for their recruitment to the higher services of the State and the inauguration of the Osmania University for diffusing light and culture among the people of the Dominions.

HYDERABAD (DECCAN),
 26th *Mehir* 1336 F.
 2nd *September*, 1927.

HYDAR N. JUNG,
Finance Member.

Budget Note for 1338 Fasli

IT is my privilege to present the forecast of revenue and the allotment of expenditure for another triennium, the third, since the Scheme of Departmentalization of the Finances was graciously sanctioned by His Exalted Highness in his Firman of 27th Safar 1341 Hijri (19th October 1922). Before, however, I come to this, the main subject of my theme, I must briefly explain the figures of last year, the final accounts of which are now ready, as well as those of the year now closing, which must at present be only the budget figures revised in the light of the information that is available for the first nine months. As this year is the last of the second triennium, I shall be able also to show within limits how that contract has worked ; the total surplus of revenue over expenditure that is likely to accrue in the three years and the amounts which the departments had failed to utilize out of the grants made to them. Half of the latter savings will remain with the respective departments for expenditure in the course of the next contract at their discretion ; but the other half will be merged in the surplus and with it constitute, under the Departmentalization Rules, the extra funds from which large allotments can be made, for the expansion of the different departments, in addition to the normal grants, which are their due from the ordinary service receipts of the year. My proposals for these extra allotments, coming from surpluses that have practically materialized and are not merely anticipated, I shall explain in detail when dealing with the normal allotments.

First, then, the Actuals of 1336 Fasli. I had prepared the Budget for that year in the expectation, from the uncertain character of the monsoon that had up to that time developed, that the results would ultimately be those of a more or less normal season. In the end, however, the rainfall came to unevenly distributed and in revising the estimates last year, I had to cut down the Land Revenue figures by 2 lakhs and the

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ACTUALS 1336
Ordinary
Receipts.

Customs by $6\frac{1}{4}$ lakhs. The decrease under these two heads, however, was expected to be more than made up, mainly by an increase of $13\frac{3}{4}$ lakhs in the Railway Receipts. The aggregate receipts in the Revised estimate were, therefore, put down at $754\frac{3}{4}$ lakhs against $747\frac{1}{4}$ lakhs in the Budget, or $7\frac{1}{2}$ lakhs more than anticipated. In the final accounts, however, the Land Revenue and Customs figures have proved to be less than even the Revised by almost 10 lakhs. At the same time, two heads, one of them Interest under the control of the Finance and the other Excise under that of the Revenue Departments have come to the rescue with an increase of 5 lakhs each, so that in the end the actual service receipts are within half a lakh of the Revised and are over 7 lakhs better than the Budget anticipations, being $754\cdot37$ lakhs as against $754\cdot82$ lakhs in the Revised and $747\cdot22$ lakhs in the Budget.

The actual collections of the Land Revenue have amounted to only $288\cdot80$ lakhs against a gross Land Revenue demand (inclusive of $62\cdot91$ lakhs on account of arrears of previous years but excluding $60\frac{1}{3}$ lakhs remissions) of $356\frac{1}{2}$ lakhs. The adverse seasonal conditions are reported to have resulted in a decrease of 23 per cent. in the outturn of cotton bales and 11 per cent. in that of oil-seeds and thereby affected also the Customs Revenue to the extent of 12 lakhs as compared with the Budget, and of about 6 lakhs as compared with the Revised estimate.

The higher yield under Interest is due mainly to two causes—the high dividend of 16 per cent. which was obtained on the N.G.S. Railway shares held under our Sterling investments and the better yield obtained on our bank balances on account of the high Bank rate which prevailed in India. The increase was really over $13\frac{1}{4}$ lakhs, of which $8\frac{1}{2}$ lakhs had to be transferred as interest to the different Reserves.

The ordinary Service expenditure was budgetted at $693\frac{2}{3}$ lakhs. In the Revised it was expected to be $667\frac{2}{3}$ lakhs including 25 lakhs for the Famine and Debt Redemption Reserves and $30\frac{1}{4}$ lakhs remaining at the credit of the departments on account of their unspent grants. The net expenditure was, therefore, expected to be about 26 lakhs less than the budget. Ultimately, however, the decrease

amounted to only about $17\frac{1}{2}$ lakhs, the actual expenditure under Education having been 4 lakhs and under Police 2 lakhs more than what was anticipated in the Revised. The departments that mainly contributed to the savings of $17\frac{1}{2}$ lakhs were : Military ($8\frac{1}{4}$ lakhs), Police (3 lakhs), Medicine and Mansabs ($1\frac{1}{4}$ lakhs each), General Administration (1 lakh), Land Revenue ($2\frac{1}{3}$ lakhs), and Judicial (2 lakhs). The amount that remained to the credit of the departments out of the Budget grants for the year was $32\frac{1}{2}$ lakhs. The net surplus for the year was thus actually over 78 lakhs as against $53\frac{1}{2}$ lakhs in the Budget, the increase of $24\frac{1}{2}$ lakhs having been due to 7 lakhs increased receipts and $17\frac{1}{2}$ lakhs less expenditure.

Coming now to the Extraordinary items, there is in the first place an expenditure from the Extraordinary. Famine Reserve. Three lakhs were expected to be spent at the time of the Revised, but almost 4 lakhs have been spent on relief works in certain talukas of Raichur, Nalgonda and Aurangabad districts which showed signs of distress. As, however, they have been taken from the interest on the Famine Reserve they appear on both sides of the account and do not disturb the net result.

It will be remembered that sanction for the distribution of $171\frac{1}{2}$ lakhs, out of the surpluses that had accrued at the end of the first contract (1332-1334) amounting to 261 lakhs, was conveyed along with the budget proposals of 1335 Fasli. In the Budget for 1336 out of the balance of $89\frac{1}{2}$ lakhs which remained undistributed, about 35 lakhs were allotted as follows : 10 lakhs for roads in Adilabad, $7\frac{1}{2}$ lakhs for the Osmania General Hospital equipment and buildings, 5 lakhs for grants-in-aid to Local Funds for water-works in the districts, 2 lakhs for the purchase of bullocks to Veterinary Department, 3 lakhs for the translation of works on Technology, etc., for the Osmania University, $1\frac{3}{4}$ lakhs for the Osmania Technical Institute building, and $5\frac{1}{2}$ lakhs for Drainage. Out of this only the first two grants amounting to half of the whole (17 lakhs) were spent and the rest remained at the credit of the departments.

In addition to these, special grants were made in the course of the year on account of Extraordinary expenditure amounting in all to a little over 11 lakhs, of which the main items are $\frac{1}{2}$ lakh for the Gujarat Central Relief Fund, 1 lakh for special buildings in the Public

Gardens, etc., and $9\frac{1}{2}$ lakhs for the Delhi Palace, of which, however, five lakhs remained unspent.

The account of the Departmental Balances is not without interest as shewing the large reserve the Departments retain unspent. They began in 1336 F., with a credit of 77 lakhs from the savings which had been carried to their account from the previous years, both on account of the savings of that year and what they had allowed to remain unspent from allotments that had been made to them from previous surpluses. From this they spent, in the course of the year, a little over 34 lakhs. They, received, as already explained, another 35 lakhs from the previous surpluses in the course of the year out of which they left about 18 lakhs unspent. From the grant for 1336 F. they saved $32\frac{1}{2}$ lakhs. Thus at the end of 1336 F., they had a credit balance of $93\frac{1}{4}$ lakhs ; of which Education had 10 lakhs, Police $2\frac{1}{2}$ lakhs, Jails $3\frac{1}{4}$ lakhs, Military $6\frac{3}{8}$ lakhs, Customs 4 lakhs, Veterinary Department $4\frac{1}{4}$ lakhs, Buildings 7 lakhs, Local Fund for water-works in the districts 5 lakhs, Drainage 12 lakhs, City Improvement Board 2 lakhs, Judicial, General Administration, Stamps and Registration, Land Revenue, Forest and Excise having between a lakh and $1\frac{1}{8}$ lakhs each ; and the Reserve for Reorganization $17\frac{1}{8}$ lakhs.

Under Capital Expenditure the estimate was 143 lakhs, but the actual expenditure is only $126\frac{3}{4}$ lakhs. The principal saving is under Railway construction amounting to $15\frac{1}{2}$ lakhs, the expenditure booked being $51\frac{3}{4}$ lakhs against $67\frac{1}{4}$ lakhs in the estimate. This, however, is apparent only, as actually the Railway spent $69\frac{2}{8}$ lakhs out of which 17·90 lakhs was financed from the balance of the past year which had remained unspent with the Company. Irrigation on the other hand spent about 5 lakhs more than the estimate, from additional grants sanctioned in the course of the year for accelerating the Nizam Sagar project.

The Investment account shows $11\frac{2}{8}$ lakhs unspent on account of investment in 3rd charge Debentures for replacing rolling stock, as the Railway Company did not require it. The amount of expenditure under Investments is thus 61·53 lakhs as against 73·20 lakhs budgetted for.

The Debt Heads have brought an addition of $102\frac{1}{3}$ lakhs to the Cash Balance of $534\frac{1}{2}$ lakhs, as against 162 lakhs anticipated in the Budget; the main cause, that has contributed to this decrease, is that no Osmania Sicca rupees were issued, for which a budget forecast of one crore had been made. The decrease would have been still greater but for the fact that on this account it was not found possible to invest profitably the amounts accruing in the Reserves to the extent originally budgetted for.

The year opened with a Cash Balance of $534\frac{1}{2}$ lakhs and closed with $485\frac{3}{4}$ lakhs. The Service heads of ordinary receipts over expenditure brought in a little over 78 lakhs, and the Debt Head supplemented it to the extent of $102\frac{1}{3}$ lakhs. On the other hand it was depleted by 35 lakhs Extraordinary grants from the surplus, 6 lakhs Extraordinary expenditure, $126\frac{3}{4}$ lakhs Capital expenditure, and Investment $61\frac{1}{2}$ lakhs.

Coming now to the figures for the year just now closing the ordinary budget Receipts for 1337 Fasli were estimated to be 767 lakhs; they are expected to be about 825 lakhs or an increase of about 58 lakhs. In view of the more favourable season, Land Revenue and Customs which showed such a marked decrease last year, are expected to give $63\frac{1}{4}$ lakhs more this year or about $37\frac{3}{4}$ lakhs more than the Budget. The remaining improvements of 20 lakhs in the Budget figures are mainly made up of 5 lakhs under Interest, 4 lakhs under Railway and $1\frac{1}{3}$ lakhs under Stamps. As a matter of fact the increase under Railway will amount to over $11\frac{1}{4}$ lakhs; but $7\frac{1}{3}$ lakhs of this increase have been taken to Miscellaneous, as they are really a windfall due to the refund this year of the Surcharge tax, levied under protest on our Railway freight earnings by the Government of India in 1921, which cannot be treated as an ordinary railway receipt.

The expenditure was budgetted at $702\frac{1}{2}$ lakhs. The Revised would indicate that it will total up to $665\frac{1}{3}$ lakhs or about 37 lakhs less. Out of this, however, only about $13\frac{1}{3}$ lakhs are savings which finally go to General Revenues. The remaining $23\frac{3}{4}$ lakhs will be retained at the credit of the Departments. The gross surplus, therefore, of the year is expected to be $135\frac{3}{4}$ lakhs.

B.
REVISED 1337 F.
Receipts.

Expenditure.

A donation of 5 lakhs was made for the proposed mosque in London. Unforeseen expenditure in connection with the appointment of Joint Comptrollers to the Shahebzadas amounts to about half a lakh.

In the course of the year, however, extra grants from past surpluses were made, amounting to about 27 lakhs, of which 19 lakhs are expected to be spent and the remaining will remain to the credit of the departments : for Roads, etc., in Adilabad $5\frac{1}{2}$ lakhs, Drainage 10 lakhs (of which 3 lakhs only are likely to be spent); Delhi Palace 7 lakhs, Agricultural Development $2\frac{1}{2}$ lakhs, Industries $1\frac{2}{3}$ lakhs.

The Famine grant was tapped to the extent of $1\frac{1}{4}$ lakhs for completion of the Mudgal-Bellihal and Manvi-Sindhnoor Roads which were undertaken as Famine Relief works in the Raichur district.

Thus the net credit on account of Service heads to the Cash Balance will be $104\frac{1}{4}$ lakhs.

The variations in Capital Expenditure (total $136\frac{1}{3}$ lakhs) are expected to show the same features as last year. On the one hand the Nizam Sagar project will have spent about 2 lakhs more than what was budgetted for, namely, $65\frac{1}{2}$ lakhs as against $63\frac{1}{2}$ lakhs, whilst on the other there will be a saving under Railway construction of about $12\frac{1}{2}$ lakhs, owing to the grant for the Vikarabad-Bidar Railway having remained practically unspent on account of certain questions of alignment, which will have been settled only by the end of the year.

Under Investments, slightly over 37 lakhs were budgetted for: 18 lakhs being the annual transfer from General Revenues to the credit of the Railway Reserve, $5\frac{3}{4}$ lakhs third charge Debentures, which it was anticipated the Railway would require for their additional capital, and $13\frac{1}{3}$ lakhs being the amount of excess on Deposits bearing interest. The excess of Deposits bearing interest is really 21 lakhs and whilst no third charge railway debentures have been taken up, 7 lakhs have been given for shares and debentures of the Shahabad Cement Company.

The Debt Heads, instead of adding $153\frac{3}{4}$ lakhs to the Cash Balance as was anticipated when estimating the budget, are expected to deplete it to the extent of $127\frac{1}{2}$ lakhs. The main cause for this heavy depletion is the conversion of a large amount of the cash holdings of our Reserves into Government of India Securities, in view of the favourable rates in the early part of the year of the 4 per cent. Government Paper, and later on of the $4\frac{1}{2}$ per cent. Loans which were recently floated. One crore 59 lakhs and four crores 55 lakhs O.S. were spent in the purchase of the former and of the latter scrip, respectively, of the face-value of one crore 45 lakhs B.G. and four crore B.G. Out of these, scrip of the face-value of one crore $23\frac{1}{2}$ lakhs B.G. costing one crore $40\frac{1}{2}$ lakhs O.S. was purchased from the Paper Currency Reserve outside the Cash Balance and the remaining was distributed among the different Reserves as follows :—

		Face-value of O.S.Rs. spent securities B.G. in investment	
		lakhs	lakhs
Famine Reserve	..	75 $\frac{1}{4}$	85 $\frac{3}{4}$
Debt Redemption Reserve	..	49	55 $\frac{3}{4}$
Railway Reserve	..	180	198 $\frac{1}{2}$
Osmania Stabilization Reserve	..	21 $\frac{1}{4}$	24
General Deposits Reserve	..	96 $\frac{1}{2}$	109 $\frac{1}{2}$
Total	..	422	473 $\frac{1}{2}$

It should be noted that as a result of these investments the first three Reserves, which receive a credit for interest to their own Reserves and do not surrender it to General Revenues, will have fully invested their entire holdings, including the interest and the additions due to them up to the end of 1338 F., which would ordinarily not have been due for investment until 1339 F. The investment of the Paper Currency balances will also have been made up to fully one-third of the net circulation.

The Cash Balance which was $485\frac{3}{4}$ lakhs at the beginning of the year is expected at the end of the year to be reduced to $289\frac{3}{4}$ lakhs.

The Investments and the Debt heads together, will, as explained above, account for a diminution of $173\frac{1}{2}$ lakhs, the Capital expenditure will make a further demand of $126\frac{3}{4}$ lakhs, against which there will be the accretions from the Service heads of $104\frac{1}{4}$ lakhs.

Having dealt with the Revised Estimates for 1337 Fasli, which close the current contract, it would be well, before explaining the figures for the next contract, to summarize the amounts that will be available for distribution during the currency of the next contract out of the surpluses that have accrued and the moiety of the unspent departmental balances, which under the Departmentalization Rules, is merged into the General Revenue surpluses and becomes available for distribution by the Executive Council.

It will be remembered that as a result of the working of the first contract there was a surplus of $223\cdot18$ lakhs, and with the moiety of the departmental savings ($37\cdot84$ lakhs) amounted in all to 261 lakhs ; out of these, $214\frac{1}{2}$ lakhs have already been allotted, *viz.*,—130 lakhs were set apart for the formation of a separate Reserve for the purchase of the Railway in 1934 and $18\frac{1}{2}$ lakhs were transferred as an additional amount to the Famine Reserve ; the remaining 66 lakhs were given to different departments mainly of a Public Works character as extra lumpsum grants: 24 lakhs for roads and bridges, 5 lakhs as subsidy to Local Fund for water-works in the districts, $20\frac{1}{2}$ lakhs for Hyderabad City Drainage, 2 lakhs to the City Improvement Board for slums improvement, $7\frac{1}{2}$ lakhs to the Medical Department for the Osmania General Hospital ; 3 lakhs to the Osmania University for translation of books on Technology, etc., 2 lakhs for the Osmania Central Technical Institute and the publication of the Ajanta frescoes ; and 2 lakhs to the Stud Department for the purchase of bullocks.

The Surpluses, during the three years of the contract which is now running out, are expected to amount to 297 lakhs, and the moiety of the departmental balances to $47\frac{3}{4}$ lakhs, in all $344\frac{3}{4}$ lakhs, which, together with the unallotted surplus of the first contract ($46\frac{3}{4}$ lakhs), make a total of $391\frac{1}{2}$ lakhs. Out of this, 54 lakhs have been already set apart for the Railway Reserve in accordance with the decision to earmark 18 lakhs a year for the purchase of the Railway

C.
CONTRACT
SURPLUSES.

First Contract.
1332-1334 F.

Second Contract.
1335-1337 F.

in 1934, and shares, etc., worth 48 lakhs are transferred to the Industrial Reserve. Out of the balance of 289½ lakhs, I propose, for the present, the following allocations, for reasons which I shall explain along with the Budget figures of the next contract, during which they will be made available for expenditure : Roads in the districts 60 lakhs, Buildings in the districts 20 lakhs, City drainage 36 lakhs, City Water-works 4/5 lakh, Water-works in the districts 15 lakhs, Hyderabad City Improvement Board 18 lakhs, Secretariat Buildings in the City 27¹/₅ lakhs, University Buildings 70 lakhs, Delhi Palace 9 lakhs, Education 6²/₅ lakhs, Agriculture 2³/₄ lakhs, Medicine 2 lakhs, Industries 1½ lakhs, Political 1 lakh, Veterinary 3¹/₅ lakhs.

I must also refer here to some changes of a minor character which I propose to make in the Departmentalization Rules for the next contract in the light of the experience and progress of the past six years.

Changes in Departmental Rules.

At present, in the case of a commercial or quasi-commercial department, we require for any addition to it grant an increase in the net receipts corresponding to a return of 6 per cent. on the additional capital required (Rules 4 and 8). I propose that in future we should require, before sanctioning any addition, only a net return of 5 per cent. on the total capital that will be at charge.

Full powers of appropriation are at present allowed to each department of savings from, amongst its other grants, that for Travelling Allowance and Tour charges. It has been found necessary to increase largely the T. A. and Tour grant of different departments, and it has therefore become desirable to limit their powers *from* this grant but only to the extent of imposing the necessity of previous consultation with the Finance Department with regard to such reappropriations. Reappropriations *to* this grant will continue to remain unfettered as heretofore.

Thirdly, in Rule 7 of the Departmentalization Rules, no distinction was made with regard to *Yeomia* and *Mamul* grants which were for the performance of specific service, (*Mashrutul Khidmat*), and those which were purely sinecure. I propose in future, that the rule shall be applicable only to the latter, grants of the former kind being treated like any other service expenditure.

I now come to explain the figures of Revenue and Expenditure which I propose as the Normal for the next contract. I fix the receipts at 788 lakhs as against 729 $\frac{3}{4}$ lakhs and the expenditure at 708 $\frac{2}{3}$ lakhs as against 657 $\frac{1}{2}$ lakhs of the previous contract. The Surplus, after making the usual provision for the Famine and Debt Redemption Reserves, will thus be 54 $\frac{1}{2}$ lakhs or 7 $\frac{1}{4}$ lakhs more than that of the previous contract and 39 lakhs more than that of the first contract.

D. CONTRACT 1338—40 F. Receipts.

Taking first the Land Revenue figures, the normal of the last two contracts has been 3 crores. **Revenue Heads.** I place the normal for the next contract at 5 lakhs more, which is about the average of what has been realized in the last triennium : 310 lakhs in 1335 ; 288 lakhs in 1336, and 320 lakhs in 1337 (Revised). While on the one hand, we do not expect a heavy demand of arrears of previous years for collection during this contract, on the other hand the annual demand will have materially increased on account of the revision of settlements in several talukas of the districts of Nizamabad, Nander, Karimnagar, and Medak. The Land Revenue may, therefore, be fairly and safely expected to give us at least 5 lakhs more than what was anticipated when the last contract was framed.

(a) Land Revenue

The second head of revenue, Customs, which, like Land Revenue, is affected by the seasonal conditions, I fix at 138 lakhs or an increase of 13 lakhs. **(b) Customs.** For the previous contract the actual figures have been 135 lakhs in 1335 ; 118 lakhs in 1336 and 150 lakhs in 1337 (Revised) ; or an average of 134 lakhs, so that my normal is only about 4 lakhs above this average. On the one hand, I have to keep in mind the possible reduction on account of the customs tariff and on the other, I hope for increase owing to better administration of the department on its reorganization at considerable expense.

The normal under Excise (158 $\frac{2}{3}$ lakhs) repeats only the figures of the last Budget being 13 $\frac{2}{3}$ lakhs above the previous normal. **(c) Excise.**

Forests similarly practically repeats the last budget figures and is 3 $\frac{1}{4}$ lakhs above the normal of the last contract. **(d) Forests.** Systematic working plans and greater accessibility of the forest produce, consequent on the development of the railway system, justify this increase.

I now come to the Receipt heads for which the Finance Department is mainly responsible.

Finance Department Heads.

The normal under Interest for the last triennium was 40 lakhs. I have raised it by $7\frac{1}{2}$ lakhs (a) Interest. for the next contract, notwithstanding the fact that this is a head under which ordinarily we must look for a continually decreasing rate of return. The increase I have made is justified however, by the heavy investments which have been made of the surplus cash funds in advance, in the recent $4\frac{1}{2}$ per cent. Loan, and also by the higher dividends which are expected on the N. G. S. Railway Stock. Our receipts under Interest would have been more than what are exhibited under this head, but for the fact that they do not include the return on securities amounting to 47 lakhs B.G., which have been transferred to the Industrial Reserve, in accordance with the proposal I had made in my last Budget Note, of setting aside a Reserve, the corpus of which would be spent in helping by shares, advances and debentures, large industrial concerns, and utilizing the interest thus obtained in developing especially the cottage industries of the State.

Another head for which the Finance Department is responsible, and under which considerable (b) Paper Currency. increase is expected, is Paper Currency. The ever-growing popularity of our note-issue may be measured by the following figures : in 1332 its net circulation was 139 lakhs ; three years later it was 256 lakhs, and it is now very near 660 lakhs. The investments in the Paper Currency Reserve amounted to $61\frac{1}{2}$ lakhs to which $123\frac{1}{2}$ lakhs have been added in the present year, so that this Reserve is expected to bring in $6\frac{1}{2}$ lakhs more than what was expected at the time of the last forecast.

Coming now to Railways, I estimate the Railway revenue, excluding the return on our (c) Railways. Railway Stock which is credited under Interest at 33 lakhs or about $9\frac{1}{2}$ lakhs more than the normal of the previous contract. We hope that our share of the surplus profits on the Broad and Metre gauge lines from Wadi to Bezwada and Secunderabad to Manmad will be 25 lakhs. At the same time the Secunderabad-Karnool line, which gives a through metre gauge connection to Bangalore and Mysore in the South and Marmagoa on the West will have commenced running

and bring us about 4 lakhs. The Kazipett-Bellarshah line has also been completed, thereby establishing a through route between Madras and Delhi from the beginning of this contract, and will add 3 lakhs to our railway earnings. I expect half a lakh from our feeder lines. The Purna-Hingoli extension, which, it will be remembered, was pressed on us by the Government of India to complete a metre gauge connection to Delhi *via* Khandwa remains in the air and is expected to pay but an inadequate return of only $2\frac{2}{3}$ per cent. on a capital of $37\frac{1}{2}$ lakhs. By the contemplated construction by the C. P. Government of a *broad gauge* link between Basim and Akola, the prospects of any improvement in the unsatisfactory position of this extension will, it is feared, be permanently jeopardised. In pursuance of the policy, which His Exalted Highness' Government has embarked upon, of opening up its rich tracts by a network of feeder lines, the Parbhani-Parli line is expected to be completed in the first year, and the Vikarabad-Bidar line in the second year of the contract, and the two will, it is expected, bring in three lakhs or an average of one lakh per annum in three years. It is hoped that at least one, if not two, feeder lines opening up the Nalgonda, Adilabad and Karimnagar districts will also have been completed during the contract.

I budget for an increase of $\frac{2}{3}$ lakhs under Mines. It indicates the increase in the output of
 (d) Mines. the Shahabad Cement Company, towards the great success of which Government can claim to have contributed a very material share, by the help which it has always extended to the concern whenever it was needed.

In dealing with the Expenditure figures, I must at the outset explain that the grants that have
 Expenditure. been made under the Normal do not express the entire, and in some cases not even the approximate, extent to which the object, for which each department stands, are being financed. This is more particularly the case with regard to the Departments of Internal Development. Large lumpsum grants have been made to them from the past surpluses for expenditure during the next contract. These amounts and the specific objects, if any, for which they are earmarked will be mentioned when dealing with each department, so as to facilitate a true perspective being obtained of its expenditure during the next triennium.

So far as the Departments administering the different sources of Revenue are concerned, the only marked increase that deserves mention is in the Customs Department, for the reorganization of which $3\frac{3}{4}$ lakhs have been given which, it is hoped, will make for its more efficient and honest administration. The increases of $3\frac{3}{4}$ lakhs under Excise and about half of the increase of $1\frac{1}{2}$ lakhs under Land Revenue is counter-balanced by increase in the receipts; the former being payment of increased Excise revenue in the Administered Areas and the latter for scale of Patels and Patwaris; the remaining $\frac{3}{4}$ lakh increase under Land Revenue is for Travelling Allowance and departmental equipment.

Under General Administration there is an increase of 5 lakhs : on account of increased grants for salary, travelling allowance, etc., to the Revenue Member and the Director-General of Revenue and reorganization of the Revenue and Local Fund Secretariats $1\frac{1}{2}$ lakhs, Industrial Secretariat $\frac{1}{2}$ lakh, creation of a third Inspector-Generalship of Revenue $\frac{3}{4}$ lakh, Civil Service Probationers $\frac{1}{2}$ lakh and the appointment of joint Comptrollers to the Princes $\frac{1}{2}$ lakh. The next year will see the preparations for the next decennial Census, for which consequently a provision of $\frac{2}{3}$ lakh a year has been made in the contract.

The reorganization of the City Police and increase in the pay of the Director and Deputy Director-General of District Police account for an increase of $1\frac{3}{4}$ lakhs in the provision under this head.

Next come the Departments of Internal Development which have obtained, as was but right, the major share of both the increase in our normal receipts and of the surpluses which have accrued to us on the working of the previous contracts.

First comes Education. Its normal grant has been increased by $9\frac{1}{2}$ lakhs, more than half of which ($5\frac{1}{4}$ lakhs) is merely the permanent provision for the expansion of the department which has taken place in the three years of the past contract and was met during that period from its departmental balances. A reserve of another lakh a year is given for future expansion. The remaining $3\frac{1}{4}$ lakhs a year provide for the necessary expansion of the University, especially in

the Departments of Agriculture, Medicine and Engineering. From past surpluses a lumpsum grant of about 6½ lakhs is made for the translation of books on Agriculture, etc., and for the M. A. and M. Sc. courses and for furniture and equipment of the Medical, City, and Zenana-Intermediate Colleges. The chief grant however, from the surplus to the University is a provision of 70 lakhs, which is but a modest one, for providing College Halls, Lecture Rooms, Libraries, Laboratories, Demonstration farms, Hospitals, Hostels, Professors' residences, etc., in a manner befitting the unique position of the Osmania University in the field of higher education in India.

Under Medical, an additional grant of 3¼ lakhs a year has been given, mainly for reorganization of the Osmania General Hospital, for further help to the Leper Home at Dichpalli and for the reorganization of the Unani dispensaries which have always been a feature in the Medical administration of the State. Lumpsum grants from past surpluses amounting to 2 lakhs are also given for Hospital and Dispensary equipment. In addition to these, the department has at its credit 2 lakhs, being half of its savings from the previous contract, which is carried forward to the next contract.

The Department of Agriculture is expected to have extensive and rapid development in the next three years in accordance with the programme laid down after most painstaking and careful examination of local conditions by Dr. Mann, the well-known Agricultural expert. A net increase of 1½ lakhs a year after deducting receipts is being made for the starting of two main Farms—one at Himayat Sagar for Telingana and the other at Parbhani for Mahratwara ; provision is made for two Deputy Directors and an Economic Botanist from British India ; and a lumpsum grant of 2¾ lakhs is being made from past surpluses for the necessary buildings and equipment for these officers and farms. A reserve of one lakh is given for further expansion of the Department, which contemplates intensive propaganda of its work, the appointment of an Agricultural Chemist and an Agricultural Engineer and the establishment of an experimental Farm in connection with the great Nizam Sagar Irrigation Project. Provision for the establishment of an Agricultural College is being made separately under the University.

Industries. Under Industries, also, an extra provision of $1\frac{1}{2}$ lakhs a year is being made especially for the establishment of a Weaving and Cottage Industries Institute, a Textile Expert and an Industries Engineer, and a lumpsum grant of $1\frac{1}{2}$ lakhs for the building and equipment of the Institute.

Veterinary Department. The Veterinary Department gets a lakh a year for the opening of dispensaries in the districts ; whilst three lakhs are given from past surpluses to start a Remount Depot, which, it is hoped, will restore the reputation, which these Dominions had at one time, of providing some of the best country-bred remounts in India.

Hyderabad Municipality. The annual grant to the Hyderabad Municipality of 5 lakhs remains unchanged but a lumpsum grant of 36 lakhs for Drainage is made from past surpluses.

City Improvement Board. The City Improvement Board gets a lumpsum grant of 18 lakhs in addition to its annual grant of 6 lakhs.

District Water-Works. Local Funds are given 15 lakhs as a subsidy for water-works in district towns as soon as they are ready, to bear the incidence of an amount equal to the subsidy given to them and to maintain the water-works in a proper condition of repair. A Board has been formed for dealing with the regular programme of such works, for which the subsidy of 15 lakhs in three years is the first instalment.

Co-operative Credit Department. The Co-operative Credit Department has hitherto been considered to be a fair pasture ground for those who had no qualifications for any other department, quite ignoring the fact that it really demanded qualifications of a special character to fit its officers for work which has a pre-eminent place in nation-building. A grant accordingly of one lakh is given for expansion and through the Co-operative Credit Union which has been established, for organizing classes for training especially the men in the department for this important work.

Public Works. The Public Works normal grant has been increased by $7\frac{1}{2}$ lakhs and will in the next triennium amount to $108\frac{1}{2}$ lakhs. This increase is mainly to provide for the maintenance charges consequent on the large number of buildings and roads that have been constructed during the last triennium.

For original construction of roads and buildings additional grants have been made from past surpluses : 60 lakhs for roads and 20 lakhs for buildings in the districts (in addition to the normal of 25 and 16½ lakhs a year respectively). A separate provision of 27 lakhs for the construction of suitable Secretariat Offices in the City, in addition to the 70 lakhs set aside for the Osmania University buildings, has also been made.

Under Religion, the increase of over 1 lakh, mainly on account of special allowances, is practically counterbalanced by a corresponding decrease under Mansabs, etc.

Archæology gets a small increase of half a lakh a year, but it is sufficient to enable it to start a Museum and deal adequately with the programme of conservation of the magnificent historical remains of the Bahmani and Bared Shahi dynasties in Bidar.

The other increases are small and do not call for any particular remarks.

The normal receipts for the year will thus be 788 lakhs, expenditure 733½ lakhs and surplus 54½ lakhs. From the extra grants from the past surpluses amounting to 391½ lakhs, 102 lakhs will be set apart for the Railway and Industrial Reserves and 289½ lakhs allotted to the different departments.

I now come to the Budget for the next year.

The Receipts for 1938 are expected to be 790 lakhs, Expenditure 737¼ lakhs, and the surplus 52¾ lakhs. In addition to this 102¼ lakhs will be spent out of the extra allotments given to them from past surpluses.

The Ordinary Receipts and Expenditure and the Service Expenditure plus of the contract are, as may be expected, also the Budget figures for the next year with which the Contract begins, as the season has so far manifested itself to be not below the normal. There are only two heads under Receipts which show a difference : Interest an increase of 2·09 and Mines a decrease of ·10. The latter is due to the fact that the increased receipts under the normal will take three years to materialize, and those of the first year must, therefore, be less than the average. Conversely the increase next year under Interest is due to the fact that this head will

show a tendency to decrease. Similarly the deflections of Expenditure from the Normal are also slight, being mainly due to the retrenchments which should be effected and the slight alterations on account of grade increments, etc., which have to be provided for in the case of progressive salaries. Small extra grants are being made, totalling to about $1\frac{1}{2}$ lakhs for the construction of bogie saloons for high officials and the provision of departmental equipment like scales to the Customs Department for frontier outposts.

Under Capital Expenditure a provision of $158\frac{2}{3}$ lakhs is being made in 1338 or $22\frac{1}{4}$ lakhs more than last year. Out of this, the provision for Irrigation, which means mainly Nizam Sagar, is $72\frac{1}{2}$ lakhs against $63\frac{1}{2}$ in the previous year. This great project, it is hoped, will be completed by 1339 Fasli at a cost of 305 lakhs, if the original estimates are not seriously exceeded. Under Railways, too, a larger provision of 81 lakhs, or an increase of 14 lakhs over the previous year, is being made next year for the extensive programme of feeder railways that is contemplated. On the other hand 18 lakhs will be refunded to Capital by the Electricity Department from its Depreciation Fund.

Investments will not make much demand on the Cash Balances as most of the requirements of the different Reserves have already been met this year as explained in the Revised Estimates. A provision of $22\frac{2}{3}$ lakhs has been kept, in order to meet investments on account of the Railway Reserve and additional capital in the form of 3rd charge debentures for Company's lines.

Debt Heads are expected to bring a relief of $16\frac{2}{3}$ lakhs to the Cash Balance. Under Advances, it may be of interest to know that a provision is made of over a lakh for Takavi advances to agriculturists on the Palair Project, $\frac{1}{4}$ lakh to Military Officers for developing their lands at Sulahnager (Peace Town), $1\frac{2}{3}$ lakh for Industrial takavi, a lakh as advance to the Soap Factory which is going to be re-started under Government auspices, $\frac{1}{3}$ lakh for the revival of the system of giving loans to officers for the purchase of motor cars and $\frac{2}{3}$ lakh for bringing out a sumptuous work on the Ajanta frescoes.

The year, which is expected to open with a Cash Balance of 289 $\frac{3}{4}$ lakhs, will, according to my anticipations above forecasted have its balance at its close reduced to less than half, namely, 141 $\frac{3}{4}$ lakhs. Surplus grants which have been detailed above amounting to over 102 $\frac{1}{2}$ lakhs, with a net Capital Expenditure of 140 $\frac{1}{2}$ lakhs and Investments 22 $\frac{2}{3}$ lakhs will be mainly responsible for this depletion. The excess of revenue over expenditure in 1338 as well as the moiety of departmental balances from previous years will strengthen the Cash Balance to the extent of 100 $\frac{1}{2}$ lakhs and the Debt Heads of 16 $\frac{2}{3}$ lakhs.

If, as has been often stated, the finances of a State are the best expression of the efficiency of its administration and the well-being of its people, Hyderabad may well hope that, at the end of the third contract, the main features of which are explained above, it will have attained a high level with regard to the objects for which a State can justify its existence. An extensive agricultural programme will have initiated measures for increasing the produce of the ryot, whether of cotton or oil-seed, sugar-cane or cereals, and his cottage industries whether textile, or oil or arts and crafts—will have been organized in a manner that will bring still further addition to his resources; a network of Co-operative Credit Societies and banks will be providing him with cheap capital and agents for the purchase of his raw material and for the sale of his produce on the most profitable terms. At the same time the establishment of district Veterinary Dispensaries and the Stud Depot will be ensuring the careful treatment and the improvement of his stock. A growing band of well-trained Civil servants working under honest and experienced heads will enable him to retain and enjoy the fruits of his labour in peace and security. The reorganization of the District Medical Department and the equipment of the Osmania General Hospital with an expert and sufficient Medical and nursing staff and up-to-date appliances will have helped materially towards the relief of human suffering. The expansion of elementary Education will have been furthered by the establishment of a network of schools under trained teachers throughout the Dominions; while residential colleges not only of Arts and Science but also of Law, Agriculture, Engineering and Medicine, will have been established in buildings worthy of the position of the Osmania University as being the first successful attempt to impart instruction

through a medium which will make for assimilation of knowledge and not mere memorising. The amenities of Electricity, and the Telephone will have been extended to, and the necessity of a pure drinking-water supply met, in many districts; large areas will have been protected against famine by well-administered irrigation works; and the carrying out of a well-thought-out railway and road programme will be opening up the country, and thereby bringing in all the advantages which follow better communications in their train. Revenue, Judicial and other offices will be housed in buildings which will no longer be a source of shame, discomfort and ill-health to those working in them, whilst a Central Secretariat will facilitate interchange of work and minimize routine.

I am not unduly optimistic if I anticipate that the contract which will be next framed will have a revenue of over 8 and nearing 9 crores to be spent on the further realization of these objects, which it will be possible to supplement, as has been done in the past, by liberal grants from the surpluses that accrue in the next three years. The Capital Expenditure which has been financed without raising any loan during the last two contracts has amounted to $5\frac{3}{4}$ crores and if in order to finance further Capital Expenditure the Cash Balance is at any time found insufficient, it will be open either to convert into this form of local investment, a small portion of the foreign securities in the Reserves which now on this date stand at nearly 16 crores (excluding over 2 crores in the Paper Currency Reserve) or to go with a light heart to the money-market where the credit of H.E.H.'s Government commands for its scrip a premium of 20 per cent.

HYDERABAD (DECCAN),

6th Aban, 1337 F.
11th September, 1928.

A. HYDARI

H. N. JUNG,
Finance Member.

Budget Note for 1339 Fasli

UNDER the scheme of departmentalization of the finances, the Budget of the second year of the triennial contract has not the interest of the first year, which deals with the framing of the contract for the next triennium nor of that of the third year, when the extent to which the expectations of the contract have been realised can be approximately determined, and the allocation of the three years' Surplus, that is likely to result, can be profitably discussed. The next year happens to be the second of the contract period of 1338-40, and a very brief note will suffice to explain our financial position, the detailed figures on which it is based being available in the three parts that follow it.

I begin, in accordance with time-honoured practice, with the Actuals of the past year to show how they have come to differ from the forecasted estimates. The Budget Estimates for Receipts and Expenditure for 1337 F. were respectively 768·22 and 721·20 lakhs ; in the Revised Estimates last year they were corrected to 826·19 and 716·43 lakhs ; in the final Accounts they are actually 841·59 and 706·44 lakhs. The actual Surplus for the year, therefore, is 135·15 lakhs as against a budgetted Surplus of 47·02 lakhs.

These figures exclude the amounts which have been spent by the different departments from the balances they had at their credit as having been unspent from their grants from previous years, but on the other hand include those which represent the balances of unspent grants which they will carry forward as being available for expenditure in the following year. They take count also of the additional grants, which were made by the Executive Council in the course of the year, after the Budget has been passed. The causes of this increase of over 88 lakhs in the actual Surplus as compared with the Budget are, as usual increased Receipts and decreased Expenditure. The increased receipts are mainly under the Revenue heads of Land Revenue (23·08 lakhs), Customs (22·43 lakhs) and Excise (5·65 lakhs), due not only to

good season but also—and a great deal—to better administration, which has led to a considerable collection of Land Revenue arrears and to a more exact collection of Customs dues. The other heads under which increase in the receipts has occurred are those under the Finance Department : Railways (4·20 lakhs), Interest (5·44 lakhs), and Miscellaneous (9·49 lakhs), to which the windfall on account of the refund of the British Surcharge tax on our Railway earnings was credited. The savings under expenditure have amounted to 26·77 lakhs, of which almost 10½ lakhs are under Military and Police ; Land Revenue, Customs and Excise being responsible for another 10½ lakhs. There is also a saving of 2½ lakhs on account of non-effective charges of Mansabs and Special Allowances. The extra grants made in the course of the year have amounted to 12·01 lakhs : subscription to the building of the Nizamiah Mosque in London, 5 lakhs B.G.; additional equipment and buildings for the Agricultural Department, 2½ lakhs ; and for the Industries Department, etc., 2½ lakhs ; Joint Controller to the Sahebzada, ½ lakh.

It will be remembered that the year 1337 F. closed the **CONTRACT** second contract, and thus only half of
 1335—37. what the departments had saved at its close continued to their credit in the following year, the other half becoming available to Government for distribution on different objects along with the surpluses that had accrued during the currency of the contract. In my last Budget Note I had estimated the total of these moiety savings and surpluses at 391½ lakhs, out of which I had proposed, and the Government had accepted, the distribution of 374 lakhs. The actual total, however, has come to 418·50 lakhs, of which 416·87 lakhs have been allotted as follows, leaving a small balance of 1·63 lakhs still available for distribution : 68·91 lakhs have been transferred to the Reserve for the purchase of the Railway in 1934 ; 55·13 lakhs have been set apart for the constitution of the Industrial Reserve for the encouragement of industries—large and small—within the State ; over 126 lakhs have been given for Buildings (Osmania University buildings 70 lakhs, Secretariat 27 lakhs, district offices 20 lakhs, Delhi Palace 9 lakhs) ; 80 lakhs for Roads (in the districts 60 lakhs, and in the city 20 lakhs) ; 70 lakhs for Municipal works (city drainage 36 lakhs, city slum improvement 18 lakhs, district water-works 15 lakhs, city water-works 1 lakh), and over 15 lakhs grants to the

Departments of Internal Development (Education $6\frac{2}{5}$ lakhs, Medical 2 lakhs, Industries $1\frac{1}{2}$ lakhs, Agriculture $2\frac{3}{4}$ lakhs, Veterinary $3\frac{1}{5}$ lakhs).

Coming now to the figures of Service Receipts and REVISÉ 1338 F. Expenditure for the year now closing they are respectively 870·86 and 765·99 lakhs including the amount of 25 lakhs taken to the Famine and Debt Redemption Reserves and 46·18 lakhs carried forward to the credit of departments. The surplus for the year according to the Revised Estimates is expected to be 104·87 lakhs as against a budgetted surplus of 51·40 lakhs.

One cause of difference in better Receipts is under the same heads as those which have been previously explained in connection with the figures of 1337 F.—*viz.*, Land Revenue (28 lakhs) and Customs (19·50 lakhs), Railways (14·55 lakhs), Interest (2·57 lakhs), and Paper Currency (13 lakhs).

The other cause—decrease in expenditure—on account of such classes of charges as Pensions, Mansabs, Pay of Irregular Troops, which do not belong to any Department and are final savings aggregate to 25·80 lakhs.

The savings of 46·18 lakhs which belong to departments and, as previously stated, have been included in the total expenditure for the year as they will be available for expenditure in future years, are principally under the following heads : Land Revenue $1\frac{1}{2}$ lakhs, Customs 2 lakhs, Military $4\frac{2}{3}$ lakhs, Courts 1 lakh, Police 2 lakhs, Education 6 lakhs, Medical $1\frac{1}{3}$ lakhs, Buildings and Communications 10 lakhs, Veterinary 1 lakh, Reserve for Reorganization and Development $9\frac{2}{3}$ lakhs.

At the same time Extra grants amounting to 49·62 lakhs were made on the following accounts during the course of the year which have been included in the above figures of expenditure : the re-purchase of the large area of 1,31,000 acres in Adilabad which had been originally given to Sir Fazulbhoj Currimbhoj (16·33 lakhs) ; donations to the Viceroy's Thanksgiving Fund, for repairs to the Jumma Mosque in Delhi, to Ross Institute and to different charities by His Exalted Highness in the course of his stay in Calcutta, Madras and Bangalore (3·66 lakhs); 21·13 lakhs were spent in the purchase and maintenance of Napean House in Bombay ; His Exalted Highness' and Princes' tours 5·60 lakhs, and the re-establishment of the fourth Subedari and other expenses 2·90 lakhs.

I now come to the Estimates for next year. I budget the Receipts at 819·67 lakhs and the Expenditure at 767·80 lakhs.

The seasonal prospects at the beginning were gloomy but the outlook was much relieved by timely showers towards the end of Mehir (August) which should prevent any widespread failure of the moderate Kharif crop. It is still hoped that the rains of the North-east monsoon will be sufficient to enable a normal demand for wet crops to be collected. I have on this account, with the concurrence of the Revenue Department, allowed the Budget figures for last year for Land Revenue (305 lakhs), Customs (138 lakhs), and Excise (158½ lakhs), to be repeated although the Revised Estimates for last year are much greater. It must, however, always be kept in mind that the season does not fully declare itself until the end of Dai (November) and that consequently it is not possible to budget with accuracy for Land Revenue and Customs receipts. Further, the work of collecting old arrears of Land Revenue continues and this uncertain factor therefore remains.

The causes for the Budget Estimate for next year being fixed 26 lakhs higher than last year have to be looked for to increases under the Finance Department heads of Interest (5·66 lakhs), Railways (9 lakhs), Paper Currency (3·73 lakhs), Mines (1·27 lakhs), and Electricity (1·17 lakhs). There is also an adjustment entry of 4·72 lakhs on both sides of the account on account of expenditure on well-sinking, etc., from the Famine Reserve. The appended graph shows the continuous increase in receipts on account of Interest and Railways from 1331 to 1338 F.

The increase in the ordinary Expenditure estimates for 1339 F. (743·56 lakhs) as compared with those of 1338 F. (740·73 lakhs) is very slight. Under the system of departmental contracts there cannot be much difference in the Budget Estimates of the ordinary expenditure from year to year during the period of the contract (as distinguished from expenditure from past surpluses or extraordinary grants). Whatever increases there are, are in the Departments of Internal Development like Education (1½ lakhs), Medicine (¼ lakh), Agriculture (½ lakh) or Defence like Military (¾ lakh), Police (¾ lakh), or General Administration (¾ lakh), counter balanced by decreases under Land Revenue (1 lakh), Customs (¾ lakh). The decrease of expenditure

under Interest as compared with the budget of last year is nominal, as there had been an over estimate of the amount of Deposits bearing interest which led to a higher provision for interest than was necessary.

Additional grants have been made in the course of the year for Roads in the city of 9 lakhs in
Extra grants. pursuance of a policy of a programme of having good dustproof roads in the city ; 6½ lakhs for Delhi Palace mainly for furnishing it, 2 lakhs B.G. have been given to the Imperial Council of Agricultural Research, and 3 lakhs for starting a cattle-breeding farm under the Agricultural Department, which, it is hoped, will restore the cattle breed for which these Dominions were at one time so famous ; 3 lakhs for the Viceregal visit in December. These extra grants amounting to 24·24 raise the expenditure budget to 767·80 lakhs, leaving a net surplus of 51·87 lakhs as against a surplus of 51·40 lakhs in the Budget of 1338 F.

Coming now to Capital Expenditure the provision in 1337 F. was 136½ lakhs, and in 1338 F. 158½ lakhs ; total 295 lakhs. Out of these provisions, however, only 107½ lakhs were actually spent in 1337, and 148 lakhs are expected to be spent in the present year or in all 255½ lakhs. The main causes of these savings of 39½ lakhs is Railways, especially in 1336-37 when owing to the Vikarabad-Bidar feeder line having been undertaken only towards the fag-end of the year, 35½ lakhs were spent instead of a budget provision of 67 lakhs. The provision for Irrigation works was 63½ lakhs in 1337, and 72½ lakhs in 1338 ; the expenditure in the two years is expected to total about 128½ lakhs or only 7½ lakhs less than estimated. The other Capital Works,—City Electricity (1·32 lakhs), Telephone (·23 lakh) and Printing (2·31 lakhs)—show savings aggregating 3·86 lakhs. These are practically counterbalanced by larger expenditure under District Electricity (1·56), District Telephone (·26 lakh), Workshop (1·33 lakhs) and Industries (·13 lakhs) : total 3·28 lakhs.

In the Budget for 1339 F. I am providing 75·2 lakhs for Railways of which 19·59 are for Secunderabad-Kurnool, 22·62 lakhs for Kazipett-Bellarshah, and 13·09 for the Vikarabad-Bidar, Parbhani-Parli and other feeder lines which have been recently undertaken, and 17·50 lakhs for new feeder lines which are likely to be surveyed

and completed during the coming year. Amongst Irrigation Works, the Nizam Sagar will take up 60 lakhs, and other irrigation works 4·45 lakhs ; Hyderabad Electricity 2·60 lakhs for mains, extensions and an additional turbo-generator to meet the constantly increasing demands of that Department. The unspent balance of previous provisions allow a lakh each for Telephones and Workshop equipment. A grant of 1½ lakh has been provided under Printing for additional machinery and Nastaliq type, a complete fount of which, beautiful in appearance and manageable in number, will, it is hoped, be completed in the course of next year.

Capital Expenditure is a form really of Investment. INVESTMENTS. In this connection I might point out that the Electricity Department will be paying above 6% on the capital at charge from next year. It will not be long before the return on Irrigation works also will begin to materialise, the liability for interest at 5% only on the four works, Wyra, Paler, Rayanpalli and Singa Bhupalam, which will be completed by the end of 1339 at a total cost of ⅔ crores, would be 3⅓ lakhs per annum, whilst for Nizam Sagar, which will still be incomplete with an expenditure of over 3½ crores, it would be 17½ lakhs per annum, in other words, an annual charge for interest alone of over 20 lakhs per annum had it been found necessary to construct these works on loan.

So far as direct Investments are concerned they have been particularly heavy in the last two years. They amounted in 1337 and 1338 almost to 6½ crores O.S. in Government of India loans and other scrip of the face-value of over 575⅓ lakhs as follows :—

	Face- value lakhs	Cost in O.S. lakhs
4% Govt. of India loan ..	145·00	158·82
4½% Do ..	276·52	314·54
5% Do ..	143·25	161·28
3½% Do ..	·40	·31
Other securities ..	10·30	11·97
Total ..	575·47	646·92

Besides this O.S. Rs. 212⅓ lakhs of the Currency Reserve were invested in the Government of India Loan

of the face-value of B.G. Rs. 187½ lakhs. The Hyderabad State may, I think, take credit for this substantial indication of its economic co-operation with British India.

The main features of the Debt Head figures of any interest are under Reserves where there
DEBT HEADS. is a net outgoing of 286·77 lakhs in 1337, and 30·59 lakhs in 1338 mainly on account of the heavy investments previously referred to.

Deposits from Court of Wards, Paigahs and this year the Salabat Jah Fund, have been of substantial help to our Cash Balances though the portion which carries with it a liability of paying interest on it is subsequently invested in interest bearing securities. In the last two years the accretions under this head amounted to over 57 lakhs. The favourable seasonal conditions of 1337 F. enabled us to bring into circulation over two crores of Halli Sicca Rupees which we required to finance the cotton crops in lieu of British Government rupees tendered in exchange by Bombay buyers. The net result of all these transactions was a diminution of the Cash Balance in the course of 1337 F. of 21·45 lakhs and in 1338 F. an expected addition of 6·47 lakhs.

In 1339 F. however, I anticipate our Debt Head transactions to give us 90 lakhs mainly under the Reserves, additions to which (68·13 lakhs) will accrue during the course of the year but will not require to be invested in the following year, as the investments which were to have been then made have already been effected. I anticipate an addition of about 10 lakhs from Coinage, other Advances and of 13 lakhs from Deposits of Insurance Fund, Postal Savings Bank and Depreciation Funds of Commercial Departments, etc.

The year 1337 opened with a Cash Balance of 485¾
CASH BALANCE lakhs. In the course of the year heavy Capital Expenditure and Investments brought it down to 389¼ lakhs ; in 1338 there has been a further depletion and it is expected that the year will close with a balance of 245½ lakhs. In 1339 F. there will be no necessity for Investments but expenditure from past surpluses and Capital expenditure will, it is expected, bring it down to 119¾ lakhs.

During these three years our Reserves will have gone up from scrip having a face-value of 9 crores 38 lakhs B.G.'s at the beginning of 1337 to over 15 crores and 13 lakhs B.G.'s at the close of the next year, excluding the Paper Currency Reserve of 2 crores 49 lakhs at present and Capital Expenditure, which as I have previously noted is a form of investment, will have been financed to the extent of over 3 crores and 83 lakhs. I have hopes that even next year it will not be necessary to float any loan if the seasonal conditions which, after having been a source of grave anxiety, have shown considerable improvement in the course of the month, continue favourable. In any case, out of the Reserves of over 15 crores, over 1 crore and 41 lakhs, B.G. constitute what have been laid aside as the Deposit Reserve and are really only an invested form of our Cash Balances, which could at any time in case of necessity, be made available in cash whether by sale or as cover for accommodation on easy terms under an understanding with the Imperial Bank of India. I here desire to tender my warm thanks to the Managing Governors for the advice and help they have always readily placed at my disposal in my financial transactions.

This bald analysis of our financial figures will, I trust, make it clear that our increasing receipts are not due to any increase in the existing or any imposition of fresh, demands on the people, but to better administration and to an ever increasing yield under our Investments and Railways. Further, the fact that large amounts are saved from year to year by every Department, which they carry forward for expenditure in the following year, show what a wide and sure field the system of departmentalized finance affords for expansion and development during the period of the contract. This is not all. Wherever urgent necessity is shown, supplementary grants are given in the course of the year. The large surpluses that still result are not hoarded but given back to the people mainly for works of public utility like roads and buildings, water-works and drainage. A well thought out programme of Capital Expenditure is gradually harnessing the waters of the large rivers that flow through the Dominions to reduce the horrors of famine and bring greater plenty to the ryot, to which also an increasing network of remunerative railways is further contributing. Lastly, our investments either give timely subsidies for the initiation of large industrial enterprises,

like cement and coal, within the State or support the loan transactions of the Government of India and thereby show how His Exalted Highness the Nizam's Government have in mind, in their financial operations, that policy of close co-operation which has always distinguished the Faithful Ally of the British Empire.

HYDERABAD (DECCAN),

1st Aban, 1338 F.

6th September, 1929.

A. HYDARI

H. N. JUNG,

Finance Member.

Budget Note for 1340 Fasli

THE present note deals with the figures of three years which cover the entire period of one triennial contract—the third since the scheme of Departmental Finance was sanctioned by His Exalted Highness in 1331 Fasli. These figures are the Actuals of last year—1338 Fasli, the Revised Estimates of the year just closing—1339 Fasli, and the Budget forecast of the coming year—1340 Fasli ; and I shall, varying the previous practice, in which each year was dealt with separately by itself, take up the figures of all the three years together, which I hope will make not only for their clearer but also briefer exposition, as causes of variations whether of Revenue or Expenditure are usually, at least in normal years, the same.

The seasonal conditions in the last two years might be considered to have been practically of the same character—considerable anxiety at one time dispelled, just when Government was contemplating measures of relief, by timely rains which gave hopes of bumper crops, but which again did not materialise to the extent expected owing to untimely rains interfering with the cotton crops or to a long break which led to no more than normal results. The rains this year also have so far followed this character. The rainfall recorded up to the 24th July 1930 (18-10-39 F.) was only 7·85 inches. Then followed a long break causing a great deal of anxiety which was for the time being removed by the well-distributed and plentiful rains we have had at the end of July. A later break has however since revived the anxiety.

The Service Receipts for 1338 Fasli were budgetted for at 790·07 lakhs and the Expenditure at 738·67 lakhs ; the Actual Receipts amount to 887·37 lakhs and the Expenditure to 748·49. The Surplus thus is actually 138·88 lakhs as against 51·40 budgetted for. The Revised Receipts for the year now closing—1339 Fasli—are placed at 846·30 lakhs as against a budget of 811·45 lakhs and the Expenditure at 766·03 lakhs against a budget of 759·58 lakhs. Thus the Surplus is expected to be 80·27

lakhs, or 28 lakhs more than the budgetted Surplus of 51·87 lakhs; whilst for the next year—1340 Fasli, the Receipts are estimated at 839·21 lakhs and the Expenditure at 780·76 lakhs. Thus the Surplus in 1340 is expected to be 58·45 lakhs as against a budgetted Surplus of 51·40 in 1338 and 51·87 lakhs in 1339 Fasli.

These surpluses are after making a provision of 25 lakhs in each of these years for Famine and Debt Redemption Reserves and also giving large extraordinary grants in addition to the normal grants for extraordinary expenditure either at the time of the Budget or in the course of the year. It may also be noted that the figures of expenditure include amounts saved by the Departments from their grants for those years and which therefore under the Scheme of Departmental Finance continue to remain at their credit for expenditure in subsequent years of the contract; whilst, on the other hand, they similarly exclude expenditure incurred from the departmental balances of previous years which after having been brought into the expenditure account of the Departments of those years had been carried to their credit.

Coming to the causes of the variations of receipts and expenditure from their forecasts and taking first the revenue figures, *Land Revenue* Receipts. is responsible in the actuals of 1338 for about 37 lakhs more than were budgetted for; about half (16·91) of this increase was due to collection of arrears in previous years and 17·23 lakhs to better seasonal conditions having prevailed than had been allowed for, whilst 2·80 was on account of revision of settlement in certain areas. In 1339 Fasli I expect the total collection to be 315 lakhs which is only 10 lakhs more than the Budget and about 27 lakhs less than the Actuals of last year, as owing to a poorer rainfall, I do not expect the increase which we got last year under better seasonal conditions. Moreover the realization of arrears must necessarily be slowing down. For next year my budget forecast is 310 lakhs, only 5 lakhs more than the budgets of previous years and makes, but a cautious allowance for progress of revenue.

Forests actually gave 2·60 more in 1338 and 1·25 in 1339 than the Budget figures of 18·25; following the Revised figure for 1339 F. I am budgetting 19·59 for 1340 F. The increase is mainly due to the provision of better facilities for the transport of timber and the general opening up of the country by the Kazipett-Bellarshah line,

Customs. The Budget figure for 1338 and 1339 was 138 lakhs ; the Accounts for 1338 show 19·13 lakhs more and the Revised for 1339 are expected to be 15 lakhs more. The increase is due mainly to export duty on oil-seeds. The budget for 1340 F., is a cautious estimate of 140 lakhs, being only 2 lakhs more than the previous budgets.

Under *Excise*, a renewal of the district contracts and Excise shop sales in Hyderabad account for 5 lakhs more realizations in 1338, and 3·13 more in 1339. The Budget for 1340 repeats the two previous years' budget figure of 158·67 lakhs.

Opium accounts for 4·28 lakhs increase in 1338 F. and 1 lakh more in 1339, over the Budget figure of 11 lakhs. For 1340 F. 12 lakhs have been taken. The increase is due to the introduction of the system of calling for tenders for each district instead of through a fixed agency and the raising of the prices of Opium and Ganja so as to restrict consumption.

Stamps and Registration show an increase in the actuals over the budget figures in 1338 F. of 3·14 lakhs on account of sale of revenue and judicial stamps and the opening of new Registration offices ; an increase of 1·40 lakhs is expected in 1339 and therefore the figures in the Revised are repeated for the next years' budget, namely 24·25 lakhs.

Post Office. The Budget for 1338 was 8·80 lakhs. There has been an increase in the Postal receipts in the course of the triennium mainly on account of increase in the postal rates (which however are still below those in British India), on which account the budget for 1340 is placed at a lakh more (9·81), the Actual Receipts in 1338 having been 9·58 and the Revised for 1339 F. 9·40 lakhs.

Coming now to the Departments for which the Finance Department is responsible, the total receipts on account of *Interest* in 1338 were 100·42 as against a budget of 91·95 owing to larger amounts in Bank balances, Railway Stock and fresh investments. From this total, however, the amount due and carried to the account of the different Reserves should be deducted, so that the net amount under *Interest* in the Accounts for 1338 is 52·37 lakhs as against the budgetted figure of 49·59. In 1339 the total amount of Interest is expected to be 102·60 lakhs, but after the transfers to the Reserves it is reduced to be only 51 lakhs

or about $4\frac{1}{4}$ lakhs less than the budget and for 1340 Fasli I am estimating it at 51·52 lakhs. The decrease in the net interest has been practically negligible, considering the continuous drain on our surplus balances on account of heavy expenditure for capital works, which we have been able to finance so far without any resort to the loan market. The decrease, however, under this head is more than made up by the increase under *Paper Currency* to which a considerable portion of the gross interest is transferred, and which shows a steady increase from 9·97 for 1338 Fasli to 14·54 in the Accounts for that year and 15·50 in the Revised of 1339, and in view of further investments the budget for 1340 is placed at 16·87 lakhs. The gross circulation of our Paper Currency Notes at the beginning of 1338 was about $7\frac{1}{4}$ crores and of 1339 Fasli 9 crores. I expect it by the end of next year to reach 11 crores, thereby allowing the investment of $3\frac{3}{8}$ crores, in interest yielding securities. The net circulation at the beginning of 1338 Fasli was $6\frac{1}{2}$ crores and at its end about 7 crores.

Under *Mint* the figure of one lakh is being repeated. In 1338 it actually shows a slight increase of ·33 on account of profits on nickel and bronze coinage. It may be of interest to know that since 1335 there has been no coinage except of small silver and token coins, which shows that the Hyderabad Currency, with the coinage of over $25\frac{1}{2}$ crores of Charminar Rupees from 1313-1335, has now reached saturation point and for some considerable time at any rate, the only profits, which we can anticipate under this head, will be in the coinage of gold ashraffis for ceremonial purposes or in increasing our stock of small silver, nickel and bronze coins.

Under the head *Exchange* which receives the gain (at about 2 per cent.) made by the State in the sale of Halli Sicca rupees for B.G. drafts on Bombay whenever the exchange goes below the fixed point of Rs. 114-12-0 one lakh was budgetted for in 1338 Fasli, as in view of the seasonal conditions which had disclosed themselves up to the time of the presentation of the budget and the quantity of Hallis with the Imperial Bank and other Bankers, the demand on the Government for Halli Sicca in exchange for B.G. drafts on Bombay was not expected to exceed half a crore in that year. The B.G. drafts however actually purchased amounted to over 157 lakhs (equivalent in Osmania Sicca $180\frac{3}{8}$ lakhs) and the actual gain in exchange

for 1338 is 2·87 lakhs. In 1339 proceeding on the same anticipations of sales of 50 lakhs, a gain of one lakh was budgetted for. In the Revised the gain is not expected to be more, the amount of drafts purchased being 49 $\frac{2}{3}$ lakhs that is almost exactly what had been anticipated. Next year also, if conditions remain what they were last year, namely a weak demand for cotton owing to low prices and other conditions, we cannot expect to issue more than 50 lakhs ; the figure of one lakh therefore is repeated for 1340 under this head. The weakness of the Halli Sicca rates during the current year may be gauged from the comparative statement given below of the demand draft Bazar rates on Bombay on the 1st of every month in 1338 and 1339 Fasli respectively :—

			1338 F.				1339 F.
Oct.	28	..	115-10	Oct.	29	..	115-11
Novr.	„	..	114-15	Nov.	„	..	115- 6
Dec.	„	..	114-13	Dec.	„	..	114-13
Jany.	29	..	114-12	Jany.	30	..	114-12
Feb.	„	..	114-12	Feb.	„	..	115- 2
March	„	..	114-13	March	„	..	116- 1
April	„	..	114-12	April	„	..	115-15
May	„	..	115-13	May	„	..	116-12
June	„	..	116-10	June	„	..	116-11
July	„	..	116- 9	July	„	..	116- 8
Aug.	„	..	116- 7	Aug.	„	..	117- 0
Sept.	„	..	116- 9	Sept.	„	..	..

The rainfall of 1337 Fasli was normal, being 31 inches, and the demand for Hallis from Government for financing the good cotton and seeds crops that resulted during the following year started towards the end of November 1928, (the 27th). For a month, it was exclusively met through the District Branches of the Imperial Bank. From the 27th December payments began to be made from the Hyderabad Branch also; and the demand for Halli drafts continued till the 1st April of the following year, the total amount of Hallis issued from the Government Treasuries having been, as already stated 180·60 lakhs.

As the rainfall of 1338 was only 22 inches, the following year, 1339 Fasli, though not a famine year cannot be said to have been a prosperous year and the low prices of cotton that then prevailed led to stocks of cotton being kept back while there was no demand at all for the financing of the oil-seed crop. The cotton demand started over a month later than the previous year—the 4th December 1929—

and closed in less than 2 months—on the 30th January. The total demand of Hallis amounted to 57·09 O.S. lakhs and was made through the District Branches.

The City Electricity Department definitely turned the corner in 1338 F. In that year after providing 3·50 as interest at 5 per cent. on the capital at charge (70·00) a net loss of ·27 was budgetted for. The actuals however show a profit amounting to that figure. In 1339 Fasli the profit is expected to be ·91 and in 1340 it is budgetted for at 1·82, which means a return of 7·4 per cent. on a capital of 74½ lakhs.

Mines. The royalties on cement and coal are responsible for the gradual increase from actuals of 1·94 lakhs in 1338 to budget anticipations of 2·96 lakhs in 1340, which is justified by the Revised figure of 2·80 in 1339 Fasli.

The last and the most important department under the administrative control of the Finance Department is *Railways*. It is unnecessary for me here to dwell at length on the important measure which His Exalted Highness' Government has completed in the course of the year in purchasing the Railway which had been owned and worked from 1883 by the Nizam's Guaranteed State Railways Company Limited in England, as the details of this transaction were published in the Gazette Extraordinary of the 10th Ardibehisht, 1339 F. (14th March, 1930) and are reproduced at the end of this note. Suffice it to say that the chief elements of the transaction briefly and roughly were (a) that the Government purchased the line from the 1st April 1930 though under the present contract it was not due for purchase till the 1st January 1934. (b) The purchase was effected after getting all plant, machinery, rolling stock, buildings, etc., inspected and valued and all figures and estimates checked by a leading Railway Engineering Expert from England, Mr. Ralph Freeman of Messrs. Sir Douglas Fox & Co., and the foremost Railway Audit Expert in India Sir Frederick Gauntlett, by paying the Company the present value of (i) what Government would have had to pay to the Company on the 1st January 1934 as the price of its shares, debentures, etc.; (ii) that portion of the net earnings which would have gone to the shareholders during the period from 1st April 1930 to 31st December 1933; (iii) as an inducement for parting prematurely with their property a

portion of the British Income tax which would have been paid by His Exalted Highness' Government on their share of the net earnings from 1930-1933 but which they saved by the purchase of the property in 1930 and which thereby "enabled a bargain to be struck that was mutually "advantageous to the Company to the extent of £247,980 "and to His Exalted Highness' Government of £132,565 "excluding the advantage they got as shareholders of the "Company ;" (c) The net purchase price was liquidated partly in cash by obtaining a Sterling advance from the Imperial Bank of India and the balance by the issue to the Company's stock-holders of $5\frac{1}{2}\%$ Sterling debentures payable in three annual instalments by the 1st April 1933. (d) The provision for the administration of the Railway was made by the constitution of a Board, meeting partly in India and partly in London under the Presidency of the Finance Member of Council and consisting of a number of highly qualified experts in England on moderate remuneration with Sir Reginald Glancy, late Finance and Railway Member of the Nizam's Council, as Chairman in London. All matters are dealt with by this Board, the ultimate authority for decision in certain matters and for appeal in others being the Executive Council of the Nizam's Government.

For the purposes of the General Budget of the State, I have calculated Railway receipts as if the Railways had not been purchased and have taken credit to General Revenue on account of these receipts only to the extent of what would have remained after deducting what would have gone to the Railway Company had it continued to exist. In the past the head VIII Interest received credit for the dividends on the N.G.S.R. Co.'s Stock and the interest on the Debentures held by the Government, whilst the moiety of the surplus earnings to which Government were entitled, was credited under the head XXXIII Railways. Now the total earnings will come into the Government Treasury and then the amount that would have gone to the Company as its share of the net earnings will be credited to the Railway Purchase Reserve towards liquidating this constituent of the purchase price and the balance which corresponds to the Government share of the moiety of the net earnings will be credited to " Railways " after transferring to " Interest " the amount which would have been paid to Government for dividends and interest on their holdings of the Company's stock and debentures.

The Receipts under Railways in the Budget for 1338 were estimated to be 33 lakhs ; in the Accounts they are $14\frac{1}{2}$ lakhs more (47·58 lakhs). In the Budget for 1339 they were estimated at 42 lakhs ; in the Revised, half of which cover a period under which the Railway has come under the ownership of the Government, they are expected to be 47·19 lakhs ; and in the Budget for 1340 I am hoping for an increase of 16·12 lakhs more, namely 58·12 lakhs as the portion of the railway receipts to which General Revenues will be entitled on the above basis, the portion of the revenues which would have gone to the Railway Company and which will now be utilised in paying a portion of the purchase price of the Railway being transferred to the Railway Reserve. It is satisfactory to note that the receipts are expected to be more than what had been taken into account as the estimates of revenue this year in determining the purchase price of the railway.

Coming now to the Expenditure figures, the variations under the Ordinary expenditure from the original estimates are due either to difference between the budgetted and the actual cost of progressive appointments under salaries or the savings on account of Compensations, Rusums, Yeomiahs, Mansabs and other such non-service grants. In 1338 the difference amounted to $27\frac{2}{3}$ lakhs and the savings to $10\frac{1}{4}$ lakhs. The main heads under which they occurred were : Customs $3\frac{2}{3}$ lakhs ; General Administration $1\frac{1}{3}$ lakhs ; Military $6\frac{1}{4}$ lakhs ; Law Courts $1\frac{1}{4}$ lakhs ; Police $3\frac{2}{3}$ lakhs ; Education $2\frac{3}{4}$ lakhs ; Medical $1\frac{3}{4}$ lakhs ; Land Revenue $1\frac{1}{2}$ lakhs ; Excise $5\frac{3}{4}$ lakhs ; Mansab $1\frac{1}{4}$ lakhs, Religious 1 lakh.

In 1339, the Revised shows savings amounting to 18 lakhs, mainly under the following heads ; Land Revenue $1\frac{1}{2}$ lakhs ; Excise over 2 lakhs ; Military 4 lakhs ; Courts $1\frac{1}{4}$ lakhs ; Police $1\frac{3}{4}$ lakhs ; Education $2\frac{1}{4}$ lakhs ; Medical almost 2 lakhs ; Religious $\frac{2}{3}$ lakh ; Agriculture $\frac{1}{4}$ lakh.

In addition to the grants for ordinary expenditure extraordinary grants were given in 1338
 Extra Grant. Fasli amounting to $47\frac{1}{2}$ lakhs, of which $46\frac{1}{2}$ lakhs were spent and $\frac{1}{3}$ lakh lapsed and $\frac{2}{3}$ remained for expenditure in the following year. The principal items of these grants were Land compensation to Sir Fazalbhoy Currimbhoy for lands in Adilabad $16\frac{1}{3}$ lakhs, purchase of Napean House property in Bombay 21 lakhs ; His Exalted Highness' tours (only a moiety of tours outside

the Dominions being chargeable to General Revenues) $4\frac{1}{2}$ lakhs ; Contribution to Delhi Jumma Masjid Repairs Fund 1 lakh ; contribution to Viceroy's Thanksgiving Fund and various charitable institutions in Bengal, Madras, Mysore, etc., 2 lakhs. In 1339 Fasli, the extraordinary grants amounted to $48\frac{2}{3}$ lakhs of which $44\frac{1}{2}$ lakhs are expected to be spent. These grants were Viceregal visit 3 lakhs ; enhancement of the annual grant and a lumpsum grant to the Aligarh Muslim University 12 lakhs ; Miscellaneous grants, as for example, Eye Hospital at Delhi, Relief Fund, Simla Y.M.C.A., War Memorial, etc., 1 lakh, donation to the Chamber of Princes for Fiscal and Economical Relations Enquiry and expenses to the Round Table Conference $2\frac{1}{3}$ lakhs, expenses of the Hyderabad Delegation to the Round Table Conference $1\frac{1}{2}$ lakhs, Princes and Sahebzadas' Civil List, etc., $2\frac{2}{3}$ lakhs. There are special grants also of 1 lakh under Customs on account of increased grants for contingencies, new nakas, etc., and increase in pay of Inspector-General of Customs consequent on the reorganization of the department ; over 1 lakh under Land Revenue, for payments to village officials ; and a small grant of $\frac{1}{2}$ lakh for Nastaliq type foundry for expenditure in completing the experiment which has met with great success in evolving a new and beautiful Urdu Nastaliq type in the Government Press.

I propose for 1340 Fasli the following extra grants which will reduce the ordinary surplus from 97·83 lakhs to 58·45 lakhs. To the Revenue Department $5\frac{1}{2}$ lakhs for tents and tour equipment and additional buildings in the Districts. This Department is entitled to every support not only because it is here, as elsewhere, the backbone of our administration but even from the narrower standpoint of finance it can be claimed that its efficiency has increased and is increasing our financial resources. The Police department is the other most important department of internal administration I propose to allot to it 7 lakhs for City Police Barracks, the demand for which has been long felt want and which I am now glad to have the opportunity of meeting. Then there is the Agricultural Department ; its programme is a heavy one which will involve a recurring expenditure of 4·65 lakhs and non-recurring 6 lakhs ; for the time being I am providing 5 lakhs extra which is the full extent of its increased demand for 1340. I am also providing 9 lakhs to complete the commitment of 20 lakhs for dustproof Roads in the city

to be constructed by the Drainage Department. Lastly there is the Department of Education which has put up well thought out proposals, which I have personally scrutinised, for meeting the urgent demand for play-grounds in the city for boys and girls so necessary for the physical well being of our school children; this programme is expected to cost 12 lakhs which I am providing for in full. A small grant of '50, required by the Archæological Department for Museum exhibits and furniture, etc., is provided, which completes the total of 39·38 lakhs extra grant for the next year from its current revenues.

It will be remembered that grants amounting to 292·83 lakhs had been made from past Surpluses at the close of the last contract as follows :
 Grants from previous Contract
 Communications 60 lakhs, City Improvement 38, Local Fund Water-works 15, Chilkalguda and Saroornagar water-works '86 ; City Drainage 36, District Buildings 20, Osmania University 70, City offices and officers' quarters 27·20, Delhi Palace 9 lakhs, other Departmental needs 16·77. Out of this, 100·85 lakhs were budgetted for expenditure in 1338 and 99·18 lakhs in 1339. The Actuals in the former year are 44·54 lakhs and the Revised in the latter 52·03 lakhs.

In 1340, 80·30 lakhs are expected to be drawn out of this grant—6 lakhs by the City Improvement Board for the clearance of slums and the building of houses for the poorer classes ; 12 lakhs for the City Drainage Works including a small amount for roads undertaken by that department ; 5 lakhs are subsidy to Local Funds for District Water-works ; 20 lakhs for District Roads ; 5½ lakhs for City offices and officers' houses ; 10½ lakhs for departmental buildings. It should be remembered that these grants are in addition to the heavy normal grants of the year. It is expected that out of the 70 lakhs set apart for University buildings 20 lakhs will be spent this year on the return of Mr. Syed Ali Raza and Mr. Zainuddin who are being deputed by Government to travel over Europe and America in connection with the preparation of designs for the University buildings in consultation with University and Architectural experts in those countries.

There is a small grant of 1·63 lakhs which remained undistributed from the previous surpluses and which I propose to allot for the new classes which will be started in the Osmania Central Technical Institute next year.

The amounts which remain to the credit of the departments from the grants made from these past surpluses and from their own grants during the currency of the contract from year to year stand at the beginning of 1340 at 215½ lakhs. The principal departments which are entitled to this heavy aggregate of credit balances are : Buildings and Communications, 110·84 ; Reserve for Reorganization 24·35 ; Education 16·71 ; City Improvement Board, Municipality and Public Improvements 11·38 ; Veterinary 7·25 ; Irrigation 7·00 and Military 6·78 ; Land Revenue 4½ ; Medicine 4 ; Industrial and Agriculture 3 ; departments with credit of about 2 lakhs each are Customs, Stamps, Mint, Law Courts, Jails ; and of 1 lakh each, Police and Religious.

These large savings show how ample are the grants and how wide the latitude given to the departments for their expansion and development during the course of the contract under the Scheme of Departmental Finance ; whilst the possibility of making large extra grants from current revenues in addition to the triennial grants at the time of the budget or in the course of the year for sudden urgent demands or for expenditure which can be supported on grounds of importance or profit show that the contract system is not inelastic or wooden.

Under the head Investments there was in 1338 the usual provision of 18 lakhs as the annual allotment for the Railway Purchase Reserve which had been constituted under His Exalted Highness's Farman in 1923, so that by 1934 the accumulations in this Reserve should be sufficient to pay off the purchase price of the Railway, which would have been ordinarily due in that year. There was also another provision of 4·67 lakhs for loan to be converted into Debenture to the N. G. S. Railway Company in accordance with the long established policy of Government of finding all the capital required by the Railway for their works ; this provision was repeated in the budget for 1339 Fasli as it was not known whether it would be spent in 1338 ; it was however spent and the Revised accordingly shows less expenditure to this extent. The Budget for 1340 provides only for the annual allotment of 18 lakhs for the Railway Purchase Reserve. Coming, however, to the Actuals, very heavy purchases, especially of the Government of India Loan which was floated in that year

were made. These purchases were as follows : $2\frac{1}{2}$ crores on account of the purchase of the Government of India 5 per cent. Loan 1939-44 of the face-value of 207·25 lakhs B.G. ; 1·29 lakhs for Tata Hydro-Electric Power Company shares of the face-value of 1·25 lakhs ; 2·46 lakhs for N.G.S. Railway Sterling debentures of £20,800. The Government also bought Rs. 30,000 worth of shares in the Deccan Glass Factory to help an indigenous concern. Out of the above purchases investments costing 184·84 lakhs O.S. were transferred to the following Reserves : Famine (14·63), Debt Redemption (18·01), Railway Purchase (37·15 and 2·46), O.S. Stabilization (40·54) and Paper Currency (72·05). The balance of the investments, *viz.*, 5 per cent. Government Securities (50·95) and Tata Hydro-Electric Power shares (1·29) has been transferred to the Deposits Reserve and the Deccan Glass Factory shares (·30) to the Industrial Reserve.

In 1939 F. besides the annual allotment of 18 lakhs to the Railway Reserve, O.S. 58·33 have been recently spent on the purchase of the new Government of India 6 per cent. Loan (1933-36) of the face-value of 50 lakhs. This latter amount has been entirely met from the Famine (17·50), Debt Redemption (18·66), and Paper Currency (22·17) Reserves.

The total figures of Capital expenditure are 158·60 lakhs in the Budget for 1938, 146·06 in 1939 and practically the same as those for 1938 are being repeated for 1940—159·06. **Capital Expenditure.** The Actual expenditure in 1938 was 28 lakhs less than the Budget and in 1939 too it is expected to be 25 lakhs less than the Budget.

The chief demand for capital funds is from Irrigation and Railways. The former had a budget grant of 72·45 and the latter of 80·91 lakhs in 1938. The Actuals show heavy lapses under both—Irrigation 18 lakhs due to the provision of the Nizam Sagar Project not having been fully utilised and Railways 9 lakhs. With regard to the latter, a budget grant of B.G. 67·64 lakhs or 78·91 lakhs O.S. was provided for under the following heads in addition to 2 lakhs for Land Compensation, Surveys ·20 lakhs B.G., Kazipett-Bellarshah railway 17·40 lakhs, Secunderabad-Kurnool line 7·09 lakhs, Parbhani-Parli line 14·16 lakhs, Vikarabad-Bidar line 28·47 lakhs, Karapalli-Kothagudiam ·14 lakhs, Hingoli-Purna ·16 lakhs. Against these grants $4\frac{1}{2}$ lakhs were saved on the V. B

line; $\frac{2}{3}$ lakh on the P. P. line, $\frac{1}{4}$ lakh on the K. K. and H. P. lines; and the remaining 3·55 lakhs were saved under other lines

In 1339 the Irrigation Department is expected to spend $61\frac{1}{2}$ lakhs or only 3 lakhs less than the budget grant of 64·45 lakhs but there is again a heavy lapse of 21 lakhs expected under Railways—54·50 lakhs as against a budget grant of 75·60. This is due mainly to the allotment of B.G. 15 lakhs or O.S. $17\frac{1}{2}$ lakhs for Railway construction for new lines not having been utilised; the balance being savings likely to accrue on other constructions.

For 1340 Fasli, the capital allotment for Irrigation—59·72 lakhs includes a provision of 1·50 lakhs for preliminary surveys in connection with a gigantic project of the Madras Government for harnessing the waters of the Tungabhadra for agricultural and electrical purposes. The scheme is at present under discussion with that Government.

The Budget under Railways is 94·16 lakhs of which 29·16 lakhs represent the unspent balance at the Railway's disposal from the previous year's grant; 35 lakhs has been put in for the Bidar-Gangakhed extension, which is expected to open up the Mancherial valley, and bring in a return of 8 per cent. including additional revenue to Main lines; whilst 28 lakhs is the amount placed at the Railway Board's disposal for open line development.

After Railways and Irrigation come the departments that claim comparatively but a small portion of the capital funds, the Electricity and the Telephones Departments of the City and the Districts: Workshop, Printing and Industries. The City Electricity Department had a budget allotment of 2 lakhs in 1338 Fasli which it has spent in full; in 1339 of 2·60 lakhs which it will have spent in full, and in 1340 it will be getting practically the same as in the previous year, 2·50 lakhs. The budgetted grant at present for the District Electricity Department for 1340 is ·20 lakhs as against ·08 in 1339. The City Telephone department is having a grant of about $\frac{1}{2}$ lakh which it is spending. The figures for the District Telephones are ·25, ·38 and ·04 respectively in 1340, 1339 and 1338. The Workshop is being given a grant of ·50 lakh for 1340, being the unutilised balance of capital previously sanctioned, and of which it spent only ·03 lakh in that year and is expected to spend ·50 in the current year. A grant of

1·23 is being given to the Press, being the balance out of the sanctioned grant of 1·39 lakhs in 1339 for the expansion of the press and the Nastaliq Type Foundry.

The year 1338 began with a Cash Balance of 389·25 lakhs and ended with a Cash Balance of 362·64 lakhs. The present year is expected to close with a Cash Balance of 219·40 and the next year of 148·88. Thus there will be a reduction of the Cash Balance in the three years of the triennium of 240·37 lakhs, but on the other hand our investments will have increased by holdings of the face-value of 134·15 B.G. for which 111·21 O.S. will have been met from the Cash Balance, and we will have financed capital programme of Irrigation and Railways, etc., to the extent of 391·73 and allowed 287·83 to be spent by the Departments from the surpluses of the past contracts. This result will be due mainly to the large surpluses amounting to 327·05 in the current contract and to debt transactions leading to a net excess of Incomings over Outgoings amounting to 223·35 lakhs. Excluding for obvious reasons the Railway Purchase Reserve and also the Paper Currency (267·82 lakhs) and the O.S. Stabilization Reserve (307·15 lakhs) which are *sacrosanct* for the maintenance of the Paper and O.S. Rupee Currency, the securities in the other Reserves amount to Government of India scrip of the face-value of almost 5 crores (496·44 lakhs) B.G., of which at least 1 crore and 43 lakhs B.G. constituting the Deposit Reserve are, as pointed out in my last Budget Note, really only an invested form of Cash Balance readily available at any time in case of need to meet our cash requirements.

HYDERABAD (DECCAN),
24th Mehir, 1339 F.
 30th August, 1930.

A. HYDARI
 H. N. JUNG,
 Finance Member.

Budget Note for 1341 Fasli

TEN years have now elapsed since, with the sanction of His Exalted Highness the Nizam, I initiated the scheme of the Departmentalisation of the Finances. I explained it at length when introducing the Budget of 1331 Fasli and there is, therefore, no need to recapitulate its salient points which are now well understood and, I hope, appreciated by the parties most concerned, namely, the several Departments of Government. I must be forgiven, however, if, at the commencement of the fourth triennial period I linger a little in retrospect and review the results of a departure in financial policy which was novel and which at the time of its inception some considered as one which would hardly bear the test of time. The new policy has, however, been justified by the experience of the last nine years—, a period as various in its economic vicissitudes as, given the maintenance of orderly Government, we are ever likely to experience. All the objects which the system set out to achieve have been fulfilled. The Finance Department by the system of triennial contracts with spending Departments has been enabled to take long views in the matter of State expenditure. On the basis of past experience the Finance Department has, at the beginning of each triennial period, been enabled to make a forecast of revenues normally likely to accrue during the forthcoming triennium. With this as a guide and in consultation with the other departments of Government it has fixed the normal budget for Departments for each year of the triennial period. The term 'normal' might give the impression that it was something static making no provision for development during the contract period. That is not at all the case. Just as a forecast of revenue including anticipated ordinary increases is made at the beginning of each triennium and the Norm of receipts is fixed, so in consultation with Departments an estimate is made of the annual requirements including provision for such development as they can foresee for the three-year period and on this basis the Norm of expenditure is also fixed. For the first triennial period 1332-34 Fasli, the Normal expenditure was fixed at 685·96 lakhs.

**THE SYSTEM
OF DEPART-
MENTALIS-
ATION.
Retrospect.**

For the ensuing triennial period 1341-43 Fasli the figure has been increased to 760·74 lakhs. The Normal expenditure under Education has risen from 65·58 lakhs in 1332-34 to 83·51 lakhs in 1341-1343 ; under Medical from 19·61 lakhs to 25·90 lakhs ; under Agriculture from 1·71 lakhs to 8·90 lakhs ; under Veterinary from 4·01 lakhs to 4·82 lakhs ; and under Roads and Buildings from 50·55 lakhs to 85·17 lakhs. It is noteworthy that every department mentioned above showed at the end of each contractual period savings, a moiety of which were carried to its credit for the next triennium. For example at the end of the triennium 1332-34 the balance carried forward to the next triennium under Education was 4·79 lakhs ; at the end of 1335-37 it was 4·12 lakhs ; at the end of 1338-40 it is expected to be 12 lakhs and 77 thousand. Under Medical the figures for these three triennial periods were 2·64, 1·57 and ·36 lakhs ; under Agriculture 1·36, ·32 and 1·10 lakhs ; under Veterinary 1·32, 2·40 and 1·89 lakhs, and under Buildings and Communications 1·67, 5·33 and 26·56 lakhs respectively. It has always been the aim of the Finance Department in framing the Normal for the contract period of the three years to satisfy the demands of the Departments of Internal Development as far as possible. The figures given above, of what the departments have been unable to spend, bear testimony not only to the adequacy but also to the liberality of the grants made. Under the system of Departmentalisation now in force the various departments of Government have no reason to rush through expenditure before the close of the year to prevent a grant lapsing. They are assured that whatever is not spent will be carried forward for the next year of the contractual period. This makes for a well-thought-out programme and care and economy in the expenditure of the spending departments ; it prevents that rush of expenditure often hurried and ill-considered at the end of a financial year which is a not infrequent occurrence in places where the system of grants lapsing at the close of the budgetary year prevails.

It should also be borne in mind that under Normal expenditure is included due provision every year for the formation of specific Reserves for such classes of expenditure which, like Famine come inevitably but after a cycle of years, or like, redemption of loans, within a fixed period. Thus 15 lakhs every year have been regularly set aside for the Famine Insurance Fund which was started with 15

lakhs and now stands at the close of the year at 190·18 lakhs, whilst the Debt Redemption Reserve to which 10 lakhs is credited annually, paid off 16½ lakhs on account of loans which fell due after 1326 and in 1330 and will pay off at the beginning of next year the loan of 1327 F. of 70·45 lakhs without causing any disturbance in the normal course of our financial programme.

This is not all. Owing to the natural expansion of revenue and savings in expenditure which are inevitable, the estimates of revenue however carefully framed usually show in the net result some increase over and the expenditure some decrease below the anticipated forecast, so that there is almost always in the end an increase in the surplus beyond what was anticipated when framing the contract. Under the system which has been introduced, this surplus, *after* it has *actually* accrued, is again distributed amongst the various departments. Thus the needs of departments for expansion are met in practically full measure by the grants made to them for Normal expenditure ; at the same time liberal grants have been and are distributed at the end of each triennium from the aggregate of the accrued surpluses. Moreover, the moiety of the savings which the departments have failed to spend by the end of the contractual period remains as already stated to their credit. These grants are made for the most part for schemes which do not involve a recurring liability, which can be completed within a definite period of time and the total cost of which from their commencement to their completion can be reckoned, *e.g.*, provision of buildings and equipment to different departments, especially of internal development, and construction of roads and communications.

Progress therefore has been tempered with caution. In so far as the spending departments are concerned and not the least those which add to the well-being of the people such as, Communications, Education, Medical, Agriculture, etc., the past nine years have been a period of steady progress assisted by normal grants gradually graded up from triennium to triennium and supplemented by substantial extraordinary grants amounting to 396·80 lakhs of which 352·09 lakhs were made to departments of internal development.

These grants, as explained, are not extraordinary in the sense that they are unforeseen or casual in nature, extraordinary such as grants for the Viceregal visit or large donations to Institutions like the Aligarh University, Mr. Das' Public School, Lady Irwin's College or Dr. R. Tagore's Shantiniketan, or subscriptions for charitable objects like the Sind Flood or Cawnpore Relief Fund, which have been made as soon as the necessity therefor has arisen or has been anticipated. But the extraordinary grants here referred to are called such, as provision for the schemes they are intended to finance is not considered of a nature to be taken into account in the Normal budget of the triennium but as a charge on such surpluses as may actually accrue from year to year; they may perhaps be distinguished from the other as extra or extra-Normal. In the period 1333-40 Education has received a total of 14·74 lakhs, Medical 1·68 lakhs, Agriculture 12·43 lakhs, Municipal and Public Improvements 142·09 lakhs, Buildings and Communications 167·67 lakhs in the way of such extra-Normal grants.

During this period also adequate provision was made for the purchase by the State of the railway lines owned by the Nizam's Guaranteed State Railway Company which was effected in 1339 Fasli, four years before the due date. The purchase of the railway was financed partly from a Reserve which I began to build up soon after I took charge of the Finance portfolio and partly by a loan, an amount representing the share of the net earnings, which would have been appropriated by the Company had it continued to exist, together with the interest on their Debenture Capital for the second half of 1339 to the first quarter of 1343 F., being set aside towards this loan, which by the close of the latter year will have been completely repaid. The year 1344 Fasli will therefore see an addition of about 60 lakhs to General Revenues on account of the whole of the net receipts from the Railways which are in the neighbourhood of between 125 and 130 lakhs B.G. being credited to General Revenues.

I shall now proceed to deal briefly with the Actuals
 ACTUALS of the last year (1339 F.) and the Revised
 1339 F. estimates for the year which will shortly
 close—(1340 F.) before coming to that part of my subject
 in which interest now centres, *viz.*, the contract for the next
 triennium (1341-43) and the budget for its first year (1341).

The receipts for 1339 Fasli were estimated at 811·45 lakhs and the expenditure 759·58 lakhs; the actuals amounted to 846·26 lakhs and 765·83 lakhs, respectively, leaving a surplus of 80·43 lakhs as against an estimated budget of 51·87 lakhs. The largest increase on the receipt side was under Customs (19½ lakhs), mainly under export duty and is attributable in part to the opening of the Kazipet-Bellarshah Railway and the Vikarabad-Bidar line. The same factor, the opening up of the tracts served by the former line, is also chiefly responsible for the increase under Forests (over 4 lakhs). The large increase of 5 lakhs under Excise and Opium is due to the abolition of the Agency system and the introduction of a system of inviting tenders for each district separately and also the increase in the issue price of Opium and Ganja. The other increases were 3½ lakhs under Stamps and Registration, 1½ lakhs under Paper Currency, 1½ lakhs under Post Offices on account of a slight enhancement of the rates of postage, and 3¼ lakhs under Railways. The total increase of 40 lakhs was counterbalanced by a decrease of 5 lakhs, chiefly under Land Revenue mainly due to seasonal conditions, the rainfall of 1338 being 23·34" as against a normal of 28". There was a decrease of one lakh under receipts of Electricity Department. It was anticipated that after paying depreciation and interest at 5 per cent. on the total capital at charge Electricity Department would give another lakh as surplus profits. No payment on that account could be incorporated in this year's account. In 1340 F. one lakh has been paid on account of surplus profit for 1338 and 1339 F.

The Budget of 1339 Fasli provided for ordinary expenditure of 735·34 lakhs out of which only 646·05 lakhs were actually spent. To this a further sum of 36·35 lakhs was added being the sum total of the amount drawn and spent from the balances of the previous year. The departments mainly responsible for these heavy savings are Land Revenue (1½), Customs (1½), Excise and Opium (over 4 lakhs), General Administration (2¼), Military (11), Police (3½), Education (8 lakhs), Medical (3½), Religious (1½), Veterinary (over 1 lakh) and Municipality and Public Improvements (8 lakhs), Buildings and Communications (22 4/5 lakhs), Irrigation (6 lakhs), Industries (2¾ lakhs), Reserve for Reorganization (8 lakhs). These figures show clearly how even with regards to ordinary normal expenditure the

grants that we gave were in excess of what the departments could spend.

In addition to the grants for Ordinary expenditure, Extraordinary grants were made in the budget of 1339 amounting 24·24 lakhs. Further additional fresh sanctions were given in the course of the year amounting to 30·51 lakhs making the total of extraordinary grants to 54 $\frac{3}{4}$ lakhs. Of this 47·87 lakhs have been spent. The main extraordinary grants are 11 $\frac{2}{3}$ lakhs to the Muslim University, Aligarh, 4 $\frac{2}{3}$ lakhs to the Chamber of Princes, 1 $\frac{1}{2}$ lakhs to the Sind Relief Fund and other charitable donations 3 lakhs for Princes' tours and 7 lakhs for Vice-regal Visit, 5 $\frac{1}{2}$ lakhs to Agriculture for cattle-breeding, Parbhani farm and contribution to the Imperial Council of Agricultural Research, 16 $\frac{1}{2}$ lakhs for Municipal and Public Improvements, Buildings and Communications.

Adding the departmental savings available for expenditure in the following year (71·91) to the total expenditure of 1339 Fasli amounting to 693·92 lakhs, the total expenditure brought to account as expenditure from current revenues amounts to 765·83 lakhs. The expenditure from past Surpluses was 66·16 and was entirely for Municipal and Public Improvements and Buildings and Communications.

The Budget Receipts for 1340 Fasli were originally estimated at 839·21 lakhs. Owing however to the general depression in trade, it is now anticipated that the Receipts will amount to 772·12 lakhs only and fall short of the normal and the Budget by 15·96 and 67·09 respectively. The two receipt heads which have suffered most, owing to the depression in economic conditions, are Customs and Railways, the receipts from which are expected to fall short of the Budget estimates by 33·50 and 25·96 lakhs respectively. Land Revenue too shows a decrease of 6 $\frac{1}{2}$ lakhs, Forest $\frac{1}{2}$ lakh, and Excise 2 $\frac{2}{3}$ lakhs.

The decreases under Customs, Land Revenue and Forest reflect part but not all of the relief afforded to the ryot in face of economic depression. The collection of all land revenue arrears amounting approximately to the large sum of Rs. 40 lakhs of which normally one-quarter would have been realised was held in abeyance throughout the Dominions. Arrears of taccavi loans were similarly held in abeyance, collections under which would otherwise

REVISED
1340 F.
Receipts.

have approximated to Rs. 1·15 lakhs. Proposals to revise the settlements of 5 taluks which would have given increased revenue of 3·22 lakhs were similarly held back. Postponement of land revenue was given to an amount of Rs. 2·19 lakhs in two districts and throughout the Dominions, wherever additional time was required for payment of the rabi kist, a further time of 1½ months was given. Orders were issued that resort should not be had to coercive measures save in exceptional circumstances and then only by permission of the head of the district. The difficulty felt by ryots in marketing commercial crops such as cotton, groundnuts, oil-seeds and jowar was met by reductions in customs duty which help to maintain the prices offering at commercial centres. The total relief afforded during 1340 Fasli by this measure is estimated at Rs. 29·09 lakhs. Abolition of octroi duty on goods coming into Hyderabad and Secunderabad from within the Dominions gave further relief to the estimated extent of Rs. 1·74 lakhs. The abolition of the bancharai cess levied at 6 pies in the rupee of land revenue for grazing on Government lands outside forests was brought into force with effect from the rabi kist and gave relief of Rs. 1·00 lakh in 1340 Fasli and will give permanent relief in future years of Rs. 5·75 lakhs *p.a.* Permanent relief given under the new Tariff Schedule in the interests of indigenous industry is estimated to amount during 1340 Fasli to Rs. 1·31 lakhs and in future years to Rs. 3·15 lakhs.

The Ordinary Service Expenditure including the transfer of 25 lakhs to the Debt Redemption and Famine Reserves was estimated at 741·38 lakhs. It is now expected to amount to 666·24 lakhs by the end of the year. There will thus be a saving of 67·44 lakhs and 75·14 lakhs as compared with the Normals and Budget estimates respectively on this side of the account, and will help to counterbalance the fall in the receipts.

The extraordinary grants from current revenues amounting in all to 39·38 lakhs were made for equipment, etc., of land revenue offices 2 lakhs, Agriculture 5 lakhs, Municipal and Public Improvements and Buildings 31½ lakhs. Out of this 26·38 lakhs will probably be spent—the two departments mainly responsible for the lapse being Agriculture 2½ lakhs and Buildings and Roads 10½ lakhs.

The Departmental Balances are expected to be 54·61 lakhs, of which Municipal and Public Improvements account for 6·40 lakhs, Buildings and Communications 17·86 lakhs, Education 4·80 lakhs, Military 4 lakhs, Police 1·57 lakhs, Medicine 1·21 lakhs, Agriculture 1·30 lakhs, Reserve for Reorganization 4·96 lakhs, Land Revenue 1·85 lakhs.

The total expenditure from current revenues including Departmental Balances is thus expected to amount to 747·23 lakhs, leaving a Surplus of 24·89 lakhs.

The year 1341 Fasli marks the beginning of a fresh CONTRACT. contract, the fourth one since the system 1341-43 F. was introduced. It is, therefore, necessary not only to compare the Budget estimates of the ensuing with those of the current year, but also to compare the Normals of 1338-1340 with those proposed for the coming triennium, 1341-43 Fasli. The Normal Receipts and Expenditure for 1338-40 were estimated at 788·08 and 733·68 lakhs respectively. For 1341-43 I have calculated the receipts at 843·64 and the expenditure at 760·74 lakhs. It must be explained that the expenditure figures are those which are chargeable to the revenues of the year and do not include what the departments propose to spend from the moiety of their balances which will continue to remain at their credit. The Normal Receipts and Expenditure for the next triennium are, therefore, expected to be 55·56 lakhs and 27·06 lakhs respectively more than those of the passing triennium. The Normal Surplus for the next triennium is expected to be 82·90 lakhs or 28·50 lakhs more than that of the previous contract.

For 1341 Fasli, however, owing to the present heavy Budget Receipts fall in the prices of agricultural produce and 1341 F. unfavourable trade conditions, I am estimating the receipts at 784·72 lakhs only which are 58·92 lakhs and 54·49 lakhs less than those of the Normals of the period of which it forms a part and the Budget of 1340 Fasli respectively. The expenditure for 1341 Fasli is estimated at 761·68 lakhs, which still leaves a Surplus of 23·04 lakhs. It is 57·39 lakhs less than the actual Surplus for 1339 Fasli (80·43 lakhs) and 35·41 less than that of the Budget of the year now closing (58·45 lakhs). It will be seen that the expected Surplus of 23·04 lakhs for the ensuing year 1341 Fasli has been arrived at on a very

conservative estimate. I have allowed for a fall of 10 lakhs in Land Revenue, 10 lakhs in Customs, 37·88 lakhs under Railways and 1 lakh in Forest revenue in consideration of unfavourable economic conditions and trade depression. As compared with the Budget for 1340 Fasli the reductions are 5 lakhs Land Revenue, 5·75 lakhs Forests, 15 lakhs Customs and 27·17 lakhs Railways.

At the same time on the expenditure side provision has been made from current revenues, excluding extraordinary grants, of Rs. 761·68 lakhs which has raised it from 741·38 lakhs of the previous year. Although no allotment has been made beyond the Normal from current revenues, extraordinary grants of 106·94 lakhs from past surpluses and 17·75 lakhs from the moiety of the savings from the previous contract which the departments will carry forward and 5·12 for protective works from the Famine Reserve are being made with the result that in 1341 Fasli the departments will have as much as 891·49 lakhs to spend as compared with 877·60 lakhs which they had at their disposal in 1340 Fasli. These figures show in a striking way the manner in which the system of Departmentalization of the Finances assists the spending departments in times of temporary economic depression to carry on their activities unhampered by sudden cuts due to what is expected to be a temporary financial stringency. Not only has there been no curtailment of departmental activities but provision has actually been made both in the Budget for 1341 Fasli and the Normal contract for the Budget of 1341-43 Fasli for expansion especially in the departments of internal development.

I think it is necessary for me to explain why notwithstanding the anticipated surplus for 1341 Fasli being only 23·04 lakhs, I have estimated the normal surplus for the whole triennium period at as much as 82·90 lakhs. The principal cause for this heavy increase is the Railway. Railway earnings have been estimated after making full allowances for their fall next year owing to trade depression and for an increase in the following two years at what the Agent of the Nizam's Railways considers a conservative estimate if industrial conditions show as seems probable a recovery. On this basis the net railway revenue is estimated during the next three years to be 426·74 lakhs. From

this 220·26 lakhs will be transferred to the Railway Purchase Reserve, leaving 206·48 lakhs for the triennial period. We thus get an average of 68·83 lakhs a year as the amount with which General Revenues will be supported on this account after making full allowances for paying the liability incurred by them in purchasing the Railway. This head accounts for over 35 lakhs of increase. There is a net increase of $6\frac{1}{3}$ lakhs in our revenue for the triennial period from Paper Currency which is becoming progressively popular. The receipts from interest on securities in the last triennium were 9·97 lakhs, based on a currency circulation of 660 lakhs they are expected to amount to 16·27 lakhs in 1341 Fasli when the Paper Currency circulation is expected to be 985 lakhs. It is on this basis that the Normals for 1341-43 Fasli under this head have been arrived at.

In the Normals an increase of 10 lakhs has been provided under Land Revenue owing to the expected revenue from the development of the lands under the Irrigation projects. For 1341 Fasli however the budget figures have been reduced by 10 lakhs. There is also a decrease of 5·75 lakhs under Forests on account of the abolition of the Bancharai cess. Under Customs also the Normals (135 lakhs) have been put down at 3 lakhs less than the Normals for the previous triennium, although the Actuals for 1337, 1338 and 1339 Fasli were 154·77 lakhs, 157·13 lakhs, and 157·58 lakhs respectively. This reduction is due to the remission or reduction in tariff and to the abolition of octroi. A further reduction of 10 lakhs has been made in the estimates for 1341 Fasli and the total receipts have been put down at 125 lakhs. I have already indicated when referring to the decreased receipts in the Revised of 1340 Fasli the relief afforded to the ryot which is reflected otherwise than in the direct decreases of Customs, Land Revenue and Forests.

No increase has been made under Excise and Ganja although such increases would have been justified by the Actuals owing to the abolition of the agency system, the introduction of the system of tender for each district and the increase in the issue price of Opium and Ganja.

Under Stamps and Registration an increase of $2\frac{2}{3}$ lakhs in the Normal and 1 lakh in the 1341 Budget have been estimated.

Under Interest $2\frac{1}{2}$ lakhs have been added to the normal of the previous contract owing to the additions to the Securities held under the O.S. Stabilization and Deposits Reserves, the interest on which are credited to General Revenues.

Post Office has a lakh more than the previous Normal and '19 more than the previous year's Budget.

The increased provision of 27·06 lakhs per annum in the normal expenditure for the next triennium as compared with the previous one may be classified as follows :—under administration of the departments under the Director-General of Revenue, about 5 lakhs ; Political charges and general administration $5\frac{3}{4}$ lakhs ; Police $2\frac{1}{2}$ lakhs ; Education $6\frac{3}{4}$ lakhs ; Medicine $3\frac{3}{4}$ lakhs ; Veterinary, Agriculture, Industrial and Co-operative Credit $6\frac{3}{4}$ lakhs ; Buildings and Communications $2\frac{1}{2}$ lakhs. The increases in the grants under Education (especially for the expansion of Primary Education)—and under Medical would have been larger had the departments been able to utilise them for the purpose. The only heads under which there are any material decreases are Mansabs, and Debt Redemption. The former are sinecure allowances which are being gradually resumed. With regard to the latter it may be observed that in the course of the year loans amounting to 70·95 lakhs will have been paid off leaving our funded debt at $178\frac{1}{2}$ lakhs, for paying off which and any loan up to $1\frac{3}{4}$ crores that may have to be floated in the course of the next triennium a provision of 6 lakhs in lieu of the present 10 lakhs will amply suffice.

In 1340 Fasli 82 lakhs were provided from the accumulations of past surpluses as extra grants. For the next year (1341 F.) 107 lakhs have been thus provided. Most of these grants as previously explained are really for expenditure of a definite non-recurring character, thus 35 lakhs for Municipal and Public Improvements (14 lakhs for City Drainage ; 4 lakhs for City Improvement, 12 lakhs for the Hyderabad Water Works ; 5 lakhs for District Water Works) ; $51\frac{3}{4}$ lakhs for Buildings and Communications, 8 lakhs for Education of which 6 lakhs are for the equipment of the Engineering College and $1\frac{1}{4}$ lakhs for the Central Technical Institute ; $2\frac{1}{2}$ lakhs under Agriculture ; 1 lakh for the Museum and for the restoration of archæological buildings of interest in Bidar.

The Surpluses that have accrued during the current triennium are expected to amount to 244·20 lakhs. Of these 58·66 lakhs have been as usual credited to the Railway Purchase Reserve, 12·16 lakhs towards the gradual building up of an Industrial Reserve of one crore, whilst 29·83 lakhs have been given as extraordinary grants in the course of the contract to meet unforeseen expenditure after the Budget for the year had been framed. The balance left is 143·55 lakhs. There are also lapses from previous Surpluses amounting to 136·79 lakhs and the moiety of the Departmental Balances amounting to 45·07 lakhs. The sum total of all these, amounting to 325·41 lakhs is, as pointed out under the Departmentalization Rules available for distribution again to such departments as Government may decide for objects more or less of a non-recurring character. I propose to restore to the departments, most of their lapsed grants amounting to 118·96 lakhs (out of 136·79 lakhs) and also to make allotments amounting to 81·20 lakhs out of the surplus for 1338-40 in order to continue the special extraordinary grants, in addition to the Normal, which Drainage, the City Improvement Board, and the City and Local Fund water works have been having. There thus remains a balance of 125·25 lakhs. Of these I have allotted 32·88 lakhs for the requirements of various departments leaving a balance of 92·37 lakhs which I would in view of the peculiar conditions through which we are passing recommend being left for the present unallocated. It will be almost impossible in the course of the next year to spend more than the large grants that have been placed at the disposal of Departments and by the time the next budget is presented we shall see more light as to how our future financial condition will shape especially under the altered conditions of the future constitution of the Government of India. In the meantime, we may well congratulate ourselves that it has been found possible to fix the Normal grants sufficient in amount for the expansion of the departments and yet leave after a conservative estimate of the revenues a substantial surplus so that even if this conservative estimate is not realised there is a sufficient margin to fall back upon without interfering with the programme of the departments. If, as we may well all hope, we have now touched the rock-bottom of trade depression and prices, we should see some improvement at least in Fasli 1342 which will allow not only the undistributed surplus of

92·37 lakhs being made available but also enable us to build our programme upon the very much larger surpluses indicated by the figures we have taken in the Normal.

Having given, I trust, a sufficient outline of our position with regard to our service expenditure and receipts and the resultant surplus, I proceed now to deal very briefly with what are called the non-service heads. The first class is that of Capital Expenditure. Out of 146·06 budgetted in 1339 Fasli only 108·32 were spent. The saving of over 37 lakhs was mainly due to the provision for Nizam Sagar not having been fully spent and the grant for the railway new construction and purchase of rolling stock not having been fully utilised. In 1340 Fasli the provision was for 159·06 lakhs, but we expect to spend only 100·80 lakhs by the time the year ends. The main lapse is under Railways. We propose to spend only 38·70 lakhs as against 92·16 lakhs provided for. This will show how fully the Government Railway Board is co-operating with the Finance Department to keep down Capital Expenditure as much as possible in view of the strain that decreased railways earnings have imposed upon our resource position. For 1341 Fasli, I am budgetting for a Capital Expenditure of 149·63 lakhs under this head which includes 42·50 lakhs for Irrigation, 97·17 lakhs for Railway Construction, 5·75 lakhs for City Electricity Mains and Extensions and additional Plant and 1·62 lakhs under Printing for the establishment of the Urdu Nastaliq Type-foundry, which is now nearing its final stage. The figures for Railway Construction include the unspent balance of over 53 lakhs from the previous year and also a provision of 5 lakhs B.G. for mechanical transport. This is in accordance with the decision of His Exalted Highness the Nizam's Government to introduce, as an experimental measure, motor services by the Railway in selected areas with the object of extending transport facilities with places linked to but not served by our railway system.

The second class of non-service expenditure is Investments, though as I have pointed out in previous years it can be called 'expenditure' only by using the term in a very restricted sense. These investments are mostly for different Reserves, most of which I created for specific purposes when I introduced the scheme of Departmentalization of the Finances.

I have previously referred to the Famine Insurance Reserve to which every year 15 lakhs with interest are added. A sum of 29·24 lakhs has been spent from this Reserve on minor works of a protective character, the most important of which is the gradual establishment of sinking of wells in the famine zones. This Reserve stood at the beginning of the triennium at 150·69 lakhs and now stands at 190·18 lakhs, to which 19·13 will be added in 1341 Fasli.

The Debt Redemption Reserve which was another Reserve established 9 years ago, has been receiving 10 lakhs together with interest every year, and stands at Rs. 182·25 lakhs. On the 1st of Dai 1341 Fasli Government loan of 70·45 will be due so that after its liquidation the Reserve will stand at 125·98 lakhs leaving the liabilities of Government at 178·51, of which 102·09 is on account of the loan repayable after 1352 Fasli and 76·31 lakhs is on account of the loan payable at any time between 1351 and 1361 Fasli. It is calculated that with the present amount of the Debt Redemption Reserve an annual addition of 6 lakhs will be quite sufficient to pay off the liabilities on account of these two loans and any other loan up to 1½ crores that may be found necessary in the course of the next triennium.

The Osmania Currency Stabilisation Reserve has been built up out of profits on coinage and maintained in order to keep the value of the Osmania Sicca Rupee within fixed limits as compared with the British Government Rupee. The Reserve stands at 358·63 lakhs and was started with 250 lakhs in 1332 Fasli. This year owing to the unfavourable balance of trade O.S. currency had to be purchased to the extent of 104·40 O.S. in exchange for 87·99 B.G.

The General Deposits Reserve has been constituted so that deposits which are received by Government and on which interest is payable by us, as for example, for the Provident Fund, Post Office Savings Bank, etc., may not be mixed up with the other assets of the Government and used for other purposes. It now stands at 178·33 lakhs.

Another Reserve constituted by me was in order to carry out an idea which I had for some time been contemplating, so as to ensure the industrial progress of the Dominions at least so far

as it depended on financial support. For this purpose I laid aside in 1338 F. Rs. 55·13 lakhs from the surpluses which had accrued at that time so that the corpus of the fund could be utilised in giving help in the shape of capital to large industries and the interest obtained upon such loans could then be spent in advances to smaller industries or even for making surveys and starting Demonstration of factories. It is proposed gradually to bring this fund up to a crore. It stands at present at 74·23 lakhs. The corpus of the Fund has been used in taking debentures in the Singareni Collieries, the Shahabad Cement Company, the Osman Shahi Mills, etc., whilst out of the interest Rs. 117 thousand have been advanced to small factories for machinery, working capital, etc., 21 thousand for scholarships for industrial training and 114 thousand for poultry, fruit economic and other surveys of the Dominions and 205 thousand for demonstration, etc., have been made. The Fund is invested in three Trustees, of whom the Finance Member is the Chairman and the Commerce and Industries and the Public Works Members are members, and the Director-General of Commerce and Industries Secretary. Every Member has the right of initiating proposals and the Finance Member has the additional right of vetoing any expenditure from the Fund to which he does not agree.

Although the State does not possess a Bank of its own, the assistance given by this Fund and by loans under different heads, performs efficiently in the present condition of the development of Banking in the State, the functions of an Industrial and Land Mortgage Bank. Loans under definite Rules are given at a moderate rate of interest to Jagirdars and landholders, motor loans to officers, and house building loans to officers and non-Gazetted employees of the Government, loans to students to enable them to study in foreign parts, in addition to takavis and loans for well-sinking and agricultural improvements under the ordinary rules for takavis. In 1339 Fasli the total advances under these heads amounted to 13·55 lakhs, and in 1340 Fasli to 34·10 lakhs.

There remains then to mention only the Railway
 Paper Currency Reserve. Purchase Reserve, not to mention the
 Paper Currency Reserve which is expected
 to increase from 660 lakhs to 985 lakhs by the end of
 1341 as explained in a previous part of this Note and
 which in its nature is very different from the Reserve

which have been built up from our surpluses. The Railway Purchase Reserve was constituted in 1332 Fasli for purchasing the Railway by setting apart 96·72 lakhs in the year 1332 and adding to it every year 18 lakhs, besides the sum of 130 lakhs since 1335. It stands at 445·85 lakhs, and as explained in the Note regarding Railway purchase which was attached to my last Budget Note, it is expected that in the course of the next contract the entire purchase money of the Railways will have been met out of the accretions of this Reserve so that when the fifth triennium 1344-46 Fasli starts, we shall have an addition to our present revenue receipts of something over half a crore to face whatever vicissitudes of fortune there may be for us at that time owing to changes in our excise or tariff or other policies.

The year 1339 opened with a Cash Balance of 362·64 lakhs. It is expected to close this year with a cash balance of 285·56 lakhs. By the end of next year it will be 99·50 lakhs. Every year for the last three years I have been anticipating a recourse to the loan market to strengthen our cash position and every year fortunately it has been ultimately found possible to postpone this demand on our credit from the public. Since 1331 Fasli we have had recourse to only one loan of 76·31 lakhs and a temporary loan of 75 lakhs against which we shall have paid off two loans one of 16·56 lakhs and the other of 70·45 lakhs. We have besides borne capital expenditure amounting to over 10 crores and made investments under different Reserves excluding the Paper Currency Reserve amounting to 7 crores. In other words, we have been laying aside investment under these two heads at the rate of a crore and seventy lakhs a year.

It is the stability that the State has obtained from these resources, the ownership of the railways and the providential freedom from any severe famine in the last ten years that enable us now to look with courage and confidence to the new times that are before us, believing that with these resources His Exalted Highness and his Government will be able to continue to work steadily and continuously for the protection and the material and educational well-being of the people of these Dominions.

HYDERABAD (DECCAN),
23rd Shehrewar, 1340 F.
30th July, 1931.

A. HYDARI
H. N. JUNG,
Finance Member.

Budget Note for 1342 Fasli

THE Budget of the second year of a triennial contract does not need any lengthy exposition. I shall accordingly content myself with briefly showing how far the completed accounts of 1340 Fasli and the Revised figures of 1341 compare with the Budget Estimate of these years and indicate also briefly how far the Budget Estimates for the coming year depart from those of the year now closing. The figures of these years disclose no doubt the effect of the world-wide depression on our finances ; but they are nevertheless re-assuring as they show that our financial system is so arranged that it has not only been able to stand the strain of heavy remissions and decreases in our revenue, but also to ensure the steady expansion of the departments as under normal conditions and even to provide for the extra programme of activities from the accumulated realised surpluses of previous years.

The Receipts for 1340 Fasli were estimated at 839·21 lakhs. The actuals are 753·55 lakhs. ACTUALS 1340 F. The expenditure budgetted was 780·76 lakhs against which the actual expenditure has been ordinary 669·19 extraordinary 15·20, departmental balances carried to departmental accounts 57·63 : total 742·02 lakhs. Thus the completed accounts still show a surplus of 11·53 lakhs, though it is a large reduction from the anticipated surplus of 58·45 lakhs. The main decreases are about 15 lakhs under Land Revenue, Forests and Registration, 35½ lakhs under Customs, 11½ lakhs under Excise and Opium, and 28 lakhs under Railways—all traceable directly to the prevailing depression to which perhaps also the 2 lakhs under Mint and Electricity may be attributed. These are counter-balanced by small increases amounting to 7 lakhs of which the major portion is under the Finance heads of Interest, Paper Currency and Exchange amounting to about 4 lakhs. Post Office shows an increase of 1 lakh, and Miscellaneous items 2 lakhs.

The Budget for 1340 provided from the revenues of the year for ordinary expenditure of 741·38 lakhs, and extraordinary grants amounting to 39·38 lakhs. Also at the instance of the departments a provision of 9·48 lakhs was made from their previous balances and later, in the course of the year, 56·44 lakhs were drawn upon from the same source. By the end of the year however only 669·19 lakhs were spent from the grants from ordinary revenues excluding those from departmental balances, and only 15·20 lakhs from extraordinary grants. These large savings again show how ample are the normal grants made to the various departments. The savings under the ordinary grants were principally, 10½ lakhs under revenue heads like Land Revenue, Customs, etc.; 12 lakhs under Military and 5½ lakhs under Courts, Police and Jails. Education saved 2½ lakhs, Medical 2 lakhs, Veterinary, Agriculture and Industries 3½ lakhs and Religious 1½ lakhs. There was also a saving of 35 lakhs by the department of Public Works under Irrigation, Buildings and Communications.

Out of the extraordinary grant of 39·38 lakhs only 15·20 lakhs were spent. The Agricultural Department saved half of the grant of 5 lakhs given to it. A grant of 12 lakhs under Education for playgrounds remained unutilised, as also nearly the whole of the grants for Buildings and Communications (9·21 out of 10·71 lakhs).

The Departments had at their disposal not only their departmental balances and extraordinary grants from the revenues of the year but a provision in the budget amounting to 81·93 lakhs from the unspent surpluses of the past triennium to which an addition of 35 lakhs was made in the course of the year. The major portion of this total grant of 116·93 lakhs was for Buildings and Communications (63 lakhs), and Municipalities (23½ lakhs). Against this total grant of 116·93 lakhs, the expenditure was only 70·54 lakhs, one lakh was carried to the credit of the Department and the balance lapsed to Government for being distributed in future years. An expenditure of 4·82 lakhs against a budgetted amount of 5·43 lakhs was incurred from the interest of the Famine Reserve which now amounts to 203 lakhs and was spent mainly on the intensive well-sinking programme which will in a short time give to the famine zone to the south-west of the Dominions an ample supply at least of good drinking

water. Rs 3·96 lakhs were also placed at the disposal of the Commerce and Industries Department from the interest on the Industrial Reserve which was constituted in 1338 Fasli by the Finance Department specially for the industrial expansion of the State.

It will thus be observed that although only 780·76 lakhs were provided from the service receipts of the year 1340 F., the Departments had at their disposal 65·92 lakhs from their departmental balances and 116·93 lakhs from the surpluses of the previous triennium, 8·78 from the interest on the Famine and Industrial Reserves to spend, or in all 972·39 lakhs out of which they spent 829·63 lakhs.

Coming now to the figures for the year which is now closing (1341 F.) the budgetted receipts were 784·72 lakhs which were 54½ lakhs less than those for the previous year.

Owing to the continued depression in trade, it is now anticipated that the receipts will fall short even of this estimate by 34·55 lakhs and amount only to 750·17 lakhs. The decrease under the revenue heads will be about 59 lakhs—5 lakhs under Land Revenue, 1 lakh under Forests, 37 lakhs under Customs, 13½ lakhs under Excise, 2½ lakhs under Registration. There are however increases mainly under the Finance heads amounting to about 16 lakhs—Interest 3½ lakhs, Paper Currency 2½ lakhs, Exchange 2½ lakhs ; whilst the Post Office again shows an increase of 1 lakh, and Miscellaneous especially on account of petrol cess 3½ lakhs and lapsed deposits 2 lakhs. The Electricity Department also is expected to give a lakh more than was anticipated. There is also an increase of 8½ lakhs under Railways. This however does not indicate any increase in the total earnings of the railways but only a larger share for credit to General Revenues owing to a lesser amount being required for transfer to the Railway Purchase Reserve (39½ lakhs as against 31 lakhs budgetted for).

The Service Expenditure budgetted for was 761·68 lakhs excluding 17·75 lakhs from Departmental balances. The total expenditure, including 21 lakhs for Famine and Debt Redemption reserves, is now expected to amount to 719·20 lakhs, which works out a surplus of 30·97 lakhs, of which 20·10 lakhs will be carried to the credit of the departments leaving a net surplus of 10·87 lakhs for the year.

The Departmental savings are mainly $2\frac{1}{2}$ lakhs under the Revenue Department, $2\frac{1}{2}$ lakhs under Military and Reserve for reorganization, 2 lakhs Police, 3 lakhs Education, 4 lakhs Medical, 2 lakhs Irrigation and $1\frac{1}{2}$ lakhs Agriculture, Veterinary, etc. The grants from past surpluses in 1341 F. were fixed at 115·94 lakhs in framing the budget, to which in the course of the year additional grants amounting to 26·21 lakhs were given making a total of 142·15 lakhs, the major portion of which was as usual for Buildings, Roads and Municipal improvements amounting to over a crore (103·63 lakhs). Out of this the expenditure by the end of the year will amount to 116·43 lakhs, leaving a balance of 25·72 lakhs, which ordinarily ought to lapse to Government but being under Municipalities, Buildings and Communications will be restored to them for expenditure during the remaining years of the triennium. Further withdrawals from Departmental Balances amounted to 17·07 bringing the expenditure from this source to 34·82. The amount for well-sinking from the Famine Reserve was 5·12 lakhs. It is expected to be now 7·53 lakhs and the interest from the Industrial Reserve will be drawn upon to the extent to 3·20 lakhs. Thus in this year again, the departments have at their disposal service funds to the extent of 949·38 lakhs (761·68 lakhs Budget, 34·82 lakhs from Departmental Balances, 142·15 lakhs past surpluses, 10·73 lakhs Famine and Industrial Reserves) of which they are expected to spend 881·18 lakhs and carry 20·10 to their balances.

In spite of the favourable monsoon conditions in 1341 when the rainfall was ample, the budget anticipations have not been realised owing to the continuance of general economic depression. For next year's budget, therefore, (1342 F.) I am taking my budget figures for Customs, Excise and Forests at 20·50 lakhs less than those of the present year, accepting throughout with regard to the revenue heads under them the estimates framed by the Revenue Department. The total receipts however are estimated at 16·70 lakhs more, *i.e.*, 801·42 lakhs for 1342 F. as against 784·72 lakhs for 1341 F. This is due to expected increases amounting to over 14 lakhs on account of Interest ($5\frac{1}{2}$ lakhs), Paper Currency ($2\frac{2}{3}$ lakhs), Exchange (1 lakh), share on petrol cess ($1\frac{1}{2}$ lakhs), unclaimed deposits (1 lakh), Electricity (1 lakh), Mint (1 lakh), and Post Office (1 lakh), other heads (1 lakh), and a large increase of $22\frac{2}{3}$ lakhs under Railways due to the same cause

as before. The net earnings of railways are expected to be in the neighbourhood of a crore of rupees B.G. at the end of the current year, and in dividing these earnings between the Railway Purchase Reserve and General Revenues it is found that 54 lakhs B.G. a year in 3 years (1341-43 F.) will suffice to bring up the Railway Purchase Reserve to the amount which will enable it to pay off the entire purchase price of the Railway in 1343 (1934). The balance therefore of 46 lakhs B.G. or O.S. 53·60 lakhs has been taken to the credit of service receipts as against 30·95 lakhs and 39·53 lakhs in the Budget and Revised respectively of 1341 F.

The estimate of expenditure from current revenues for 1342 F. is 779·39 lakhs as against 761·68 lakhs of the previous year. Out of the increased provision of 17·71 lakhs, about 3½ lakhs more are given under Education, ½ lakh under Medical and 1 lakh under Police in connection with the reorganization of the Paigah and other Police, and 2 lakhs for the Civil List of the Princes owing to their marriage. The main increase, however, is of about 10 lakhs under Interest, being the interest on the two crores 5½ per cent. loan floated mainly to meet the requirements of the local banking community. It may be noted that the interest head on the receipt side shows a gross increase of 14·28 lakhs which is reduced, however, to 5·36 lakhs by excess transfers of 2·66 lakhs to the Paper Currency Reserve and 6·26 lakhs to other Reserves.

In addition to the grants from current revenues, the departments propose to draw from their balances of last year to the extent of 22·76 lakhs, the principal departments concerned being the Military (11½ lakhs) and Buildings and Municipal Improvements (6 lakhs).

Special grants from past surpluses of the previous triennium amount to 68·56 lakhs which are given mainly to continue the extra programme of City Improvement Board (3 lakhs), Hyderabad Water Works (3½ lakhs), Drainage (14 lakhs), District Water Works (5 lakhs), District Municipalities (5½ lakhs), Buildings (26 lakhs), Archæology (1 lakh). The new rules for the commutation of pensions have rendered a provision of 3 lakhs necessary, which will of course gradually result in a proportionate reduction of the annual recurring charge. The well-sinking programme from the Famine grant will continue

and get a grant of 5·12 lakhs for that purpose, whilst expenditure from the Industrial Reserve will amount to 3 lakhs. Thus the total sum which will be placed at the disposal of the departments in 1342 F. from all sources will be 878·83 lakhs.

The Budget provision for Capital Expenditure in 1340 was 159·06 lakhs. The actual expenditure was only 98·74 lakhs. The chief saving was about 53 lakhs under Railways (41·55 as against 94·16 lakhs) owing to the amounts reserved for open line development and Bidar-Gangakhed extension not having been spent and about 5 lakhs under Irrigation (54·63 lakhs as against 59·72 lakhs) owing to the full provision not having been utilised.

In 1341 F. the capital expenditure is expected to come up very nearly to the budget figure of 149·63 lakhs. The lapses under Irrigation will be about 3 lakhs (39·50 lakhs out of 42·50 lakhs) and under Railway Construction about 21 lakhs (77·81 lakhs out of 99·17 lakhs).

For 1342 F. a provision of 84·25 lakhs only is made for the completion of the Nizam Sagar project and the Vikarabad-Bidar-Gangakhed Parli line, etc.

The year 1340 opened with a Cash Balance of 257·58 lakhs. It is expected to close this year with a cash balance of 252·30, and by the end of next year it will be 160·72 lakhs.

In my last Budget Note the Cash Balance at the end of 1341 F. was expected to be 90·50 lakhs, and I then remarked :—

“ Every year for the last three years I have been anticipating a recourse to the loan market to strengthen our cash position and every year fortunately it has been ultimately found possible to postpone this demand on our credit from the public. Since 1331 Fasli we have had recourse to only one loan of 76·31 lakhs and a temporary loan of 75 lakhs against which we shall have paid off two loans, one of 16·56 lakhs and the other of 70·45 lakhs. We have besides borne capital expenditure amounting to over 10 crores and made investments under different Reserves excluding the Paper Currency Reserve, amounting to 7 crores. In other words, we have been laying aside investment under these two heads at the rate of a crore and seventy lakhs a year.”

Even now as will be apparent from the statement of cash balances, it is possible to get along till the end of this year without any public loan notwithstanding the remission of revenue and reduction in customs and railway receipts, which have depleted our surpluses to the extent of 80 lakhs.

We are however faced by the same consideration that led us to float a loan in 1331 Fasli, and that is to provide a source of investment for our local capital which would otherwise go abroad and disturb exchange. The Sowcars have repeatedly urged me to provide such an investment of their surplus monies, which would also strengthen our Halli exchange. I have therefore notified the flotation of a loan up to two crores at $5\frac{1}{2}$ per cent. for 1352-1362 F. and have made ample cover for our loan commitments in the provision of Interest, Debt Redemption and Deposits Reserves. There cannot be a greater testimony to the financial credit of the State than this desire of the banking community of Hyderabad to lend their surplus monies at even a slightly lower rate of interest than that offered by the Government of India in its recent loan.

I closed the presentation of my last year's budget with a note of confidence. This confidence, with God's grace I still retain, for, although the accumulations of our surpluses during the current triennium for expenditure in the next contract period might be comparatively small, a new source will emerge to strengthen our resources when the price of the Railway will have been entirely paid off through our Railway Purchase Reserve in 1343 F., (1934), which will give a *net increase* to our revenues of at least half a crore a year.

Hyderabad has in the important discussions which are at present engaging the attention of India and Britain alike, given a provisional adherence to the scheme of All-India Federation. It trusts that in the final arrangements which emerge, nothing will tend to shake the stability of the financial structure, which has been reared in the course of the last thirty years.

A. HYDARI

H. N. JUNG,

Finance Member.

HYDERABAD (DECCAN),
25th Shehrewar, 1341 F.
31st July, 1932 A.D.

Budget Note for 1343 Fasli

I AM now budgetting for the last year of the triennial period which began with 1341 Fasli (7th October 1931 to 5th October 1932). The time for retrospect will come with the submission of the Budget for 1344 F., which will begin another and the fifth triennium. This system, which for the sake of brevity has been styled the Departmentalization of the Finances, and which was introduced under H.E.H.'s Farman of 27th Safar 1341 H. some twelve years ago when I took over charge of the Finance portfolio is briefly this: On the basis of past experience the Finance Department has at the beginning of each triennial period made a forecast of revenues normally likely to accrue during the forthcoming triennium. With this as a guide and in consultation with the other departments of Government it has fixed their normal budget grant for each year of the triennial period. The term 'normal' might give the impression that it was something static making no provision for development during the contract period. This is not the case. Just as a forecast of revenue, including anticipated ordinary increases, is made at the beginning of each triennium and the Norm of receipts is fixed, so in consultation with departments an estimate is made of their annual requirements, including provision for such development as they can foresee for the three-year period, and on this basis the Norm of expenditure is also fixed. Any Surplus of a triennial period *after* it has actually accrued Government has again distributed amongst the various departments along with a moiety of the savings which the departments have failed to spend at the end of the contractual period; the other moiety of these savings continues to remain at the credit of the departments during the next triennium. These extra grants are made for the most part for schemes which do not involve a recurring liability but which can be completed within a definite period of time and the total cost of which can be reckoned from their commencement to their completion, as for example, provision of buildings and equipments to different departments, especially of internal development,

and construction of roads and communications. In order that such class of expenditure as Famine which comes inevitably but after a cycle of years or like redemption of loans which has to be effected within a fixed period, might not cause any disturbance in the course of the financial programme, regular and separate Reserves for Famine Insurance, Debt Redemption, etc., have been formed, to which fixed annual allotments are made so as to cover the estimated liability when it actually materialises.

The scheme makes for a well-thought-out programme and care and economy in the expenditure. The spending departments avoid that rush of expenditure, often hurried and ill-considered at the end of a financial year, which is not an infrequent feature of the accounts where the system of grants lapsing at the close of the budget year obtains. Although it has been definitely laid down that the Finance Department would feel justified in reducing the contract grants of different departments in a case of grave financial emergency, during the last 12 years not only have these triennial contracts with the departments not once been broken, but where good and sufficient reason has been shown, Government have sanctioned extraordinary expenditure to departments over and above their contract grants. Thus by this system of triennial contracts with the spending departments, Government has been enabled to take long views in the matter of State expenditure tempering progress with caution. The above briefly stated are the principles on which the Scheme of Departmentalization is based. I would refer those who might wish to know of the system in greater detail to the note of explanation which in accordance with the resolution of the Executive Council has been attached as an enclosure to this Note.

The Surplus for the year was 10·58 lakhs, about the same as was forecasted in the Revised **ACTUALS FOR 1341 F.** (10·87 lakhs), but 12·46 lakhs less than the Budget. The severity of the economic depression was reflected in the fact that when forecasting for the triennium which the year 1341 Fasli began, I had calculated the Normal Surplus at 82·90 lakhs. The Budget Estimate for receipt for 1341 Fasli was 784·72 lakhs. The Actuals were 763·49 lakhs. The heaviest decreases are under Customs (over 40 lakhs), Excise (4½ lakhs), and Stamps and Registration (2 lakhs).

On the Expenditure side 761·68 lakhs were provided from current revenues, but the departments spent only 704·36 lakhs. This however was ordinary expenditure from current revenues. In addition to this the departments spent 41·67 from their balances. Under the Departmentalization Scheme the departments were allotted for special items of expenditure another 165·60 lakhs from past surpluses and 8·46 from Famine and Industrial Reserves; of this amount they spent 129·07 lakhs. Though, therefore, departments spent 746·03 lakhs from current revenues and their balances, the total expenditure financed from current revenues as well as past surpluses amount to 875·10 lakhs in 1341 Fasli. The largest share of the grants from past surpluses fell to Municipalities (44 lakhs), Buildings and Communications (51·71 lakhs), Education (8·08 lakhs), Agriculture (2·48 lakhs), whilst expenditure amounting to over 25 lakhs on account of wedding expenses and addition to Bella Vista and Hill Fort for the Princes was also financed from the same source.

The Capital Expenditure during the year amount to 116·89 lakhs, mainly, as usual, on account of Irrigation works (32·20 lakhs), and Railway (71·84 lakhs).

The year closed with a Cash Balance of 321·89 lakhs as against an anticipated balance in the Budget of 90·50 lakhs. The increase was due to the flotation in the course of the year of a loan, which has been anticipated for some years past owing to the continuous financing of heavy capital programmes from year to year but which became imperative this year in view of the demand made for opportunities of local investment of monies which otherwise threatened to go outside the State. About half of the loan, 190·21 lakhs, represented only the conversion of short term Interest Bearing Deposits; whilst 208·23 lakhs were subscribed in cash during the eight days that the loan remained open, bringing up the total amount of the new loan to 398·44 lakhs. The loan carried the same interest as was then prevailing in Government of India Paper. It now stands at a premium of 15.

For 1342 Fasli I had budgetted for a revenue of 801·42 lakhs and an expenditure of 779·39 lakhs. The Revised estimates under these heads are Receipts 811·14 lakhs and Expenditure 720·53, Balance carried to departmental accounts 37·53, total 758·06 lakhs, leaving a

REVISED ESTI-
MATE FOR
1342 F.

Surplus of 53·08 lakhs. Land Revenue and Excise figures show a return to the normal, but the fall in Customs revenue continues and is 12·12 lakhs less than the Budget estimate, and 36·50 less than the normal. The increase under Interest and Paper Currency represents the conversion bonus received during the course of the year on our holdings of British Government Paper. Under Railways, the net earnings are expected to be 107·02 lakhs as against 116·60 lakhs in the Budget, of which 58·44 lakhs is transferred to the Railway Purchase Reserve leaving 48·58 lakhs at the credit of General Revenues, which is 5·02 less than the original estimate. Forests, Stamps and Miscellaneous also record decreases.

The departments with any material departure from the Budget figures are Land Revenue (2·70), Excise (2·65), Military (18·00), Police (3·00), Education (10·00), Medical (3·25), Agriculture (3·25), Veterinary (1·10), Buildings and Communications (11·00), Irrigation (4·00).

As was the case in 1341 Fasli, the expenditure from current revenues does not exhaust the tale of the resources placed at the disposal of the spending departments. Over and above the sum of 720·53 lakhs, the departments are expected to spend 55·10 from their balances, and further sum of 81·31 lakhs has been allocated to the various departments from past surpluses bringing up the revised estimate of the total expenditure to 856·94 lakhs. Figures are more eloquent sometimes than words, and I venture to think that the figures given above show how even with heavy falls, in revenue which successively occur in years of acute and almost unprecedented economic depression the system on which the Hyderabad Budget has now for the past 12 years been based has enabled the good years to make up for the deficiencies of the lean ones so that progress of the various departments of State has been maintained unimpaired.

Under the Departmental System the opportunity to the Finance Member of marshalling the results of Government's financial policy occurs only once in three years. For, short of any unforeseen calamity, the plan of work of the various spending departments so far as its financial side is concerned is mapped out for a period of three years. In the Budget of 1343 Fasli therefore, there are no novel features and I would refer the few to whom financial mechanism, as illustrated by figures, of the working of these

BUDGET FOR
1343 F.

Dominions has an interest, to the detailed Budget Estimates which follow. The public at large is interested, and rightly interested, in a statement of the broad facts of the annual Budget, and I propose to give them this information as briefly as possible.

I anticipate our revenue in 1343 Fasli at 797·58 lakhs and expenditure 780·94 lakhs, leaving a surplus of 16·64 lakhs. The Government of His Exalted Highness have legitimate ground for satisfaction that the budget has been more than balanced without having recourse to any extra taxation or to any paring down of the activities of the various departments of the State. The welfare of the agricultural community has continued to give His Exalted Highness's Government anxious concern. Substantial special remissions in respect of the abi (first wet crop) kist in Telingana and the Kharif kist in Marathwada, without distinction of districts, had in 1341 F. given direct relief to the amount of approximately 32 lakhs. During the ensuing agricultural year, which came to a close in June 1933 (Thir 1342 F.), the 25 per cent. relief in respect of the abi kist in Telingana was continued in the form of suspension, and this is now being fully remitted at a cost of Rs. 16·43 lakhs. During the last three years the Gulbarga and Raichur districts have suffered from poor rainfall and special suspensions on dry crops were granted which now total Rs. 5·5 lakhs. Although the suspensions of the last two years would normally be carried forward for consideration with the conditions of subsequent seasons, it has been decided in the special economic circumstances to remit the whole of this sum forthwith so that the ryots may be freed from the burden of a potential future demand. In the Budget Note for 1341 F. it was mentioned that revision settlements of five taluks, involving an annual increase of Rs. 3·22 lakhs, had been held back in view of the depression. This policy continues and the position now is that the revision settlements of nineteen taluks are in abeyance, which, had the revisions been proceeded with, might have meant an increase in the land revenue demand of Rs. 8 to 9 lakhs annually.

These measures of relief have been carried out without imposing too heavy a drag on the Budgets largely owing to the satisfactory rains of recent seasons which have maintained the revenue under tanks at a substantial level. Certain forms of indirect relief may be briefly mentioned,

Special Taccavi grants, in excess of the usual annual grant have during the past agricultural year amounted to Rs. 8·80 lakhs. For the season which has recently commenced a similar special grant of Rs. 7 lakhs has already been given out and will be augmented as need is shewn. Special taccavi grants have also been made available for irrigation projects under development. The dates for the payment of kists have been modified with the object of enabling the ryot to market his produce over a longer period and so take advantage of any favourable movements in prices. The incidence of customs rates have been kept under scrutiny so that fluctuations in commodity prices should not be allowed to tell against the interest either of the ryot or of the Government. From Azur 1342 F. a measure of protection has been afforded to agriculturalists within the Dominions by an import duty on food-grains excluding the cheaper kinds, a duty which has brought in nearly Rs. 2 lakhs during the first ten months.

Signs of a coming recovery are not wanting, but the cumulative effect of three continuous years of depression will not be readily overcome. To enable the ryot to take full advantage of any turn in the tide His Exalted Highness's Government have *decided*, on a review of the situation, to continue as a definite *remission announced in advance* the relief granted on abi crops during the last two seasons : and furthermore to give a general relief of $12\frac{1}{2}$ per cent., or two annas in the rupee, on the kharif crop in all districts. His Exalted Highness's Government confidently trust that this substantial tangible assistance which will approximate to Rs. 27·00 lakhs, will put heart into the agriculturalist and materially assist him in husbanding his resources against the coming of better times.

For the year 1343 Fasli I have set aside a sum of 75·42 lakhs from past surpluses and 4·66 by transfer from Famine and Industrial Reserves, which when added to the expenditure from current revenues will bring the total expenditure budgetted for 1343 Fasli to 861·02 lakhs. Provision has also been made for a Capital expenditure of 60·81 lakhs largely on Irrigation works and for Railway construction. I anticipate that the year 1343 Fasli will close with a Cash Balance of 112·83 lakhs.

The figures I have given above show that we are on an even keel so far as Finance is concerned. Not only that but the condition of our Reserves shows that the ship

carries plenty of ballast. I will give a few instances : I will take first the Debt Redemption Reserve. The redemption of the loan due on 1-2-1341 Fasli amounting to 70·45 lakhs left only two loans outstanding—the one of 102 lakhs maturing in 1352 Fasli and the other 76·31 lakhs maturing in 1351-61 Fasli. The present value of these loans at 4 per cent. is 104·48 lakhs O.S. in all, whilst the assets of the Debt Redemption Reserve amount to 137·75 lakhs O.S. Additional provision has however to be made for the redemption of the new 1352-62 Fasli loan of 398·44 lakhs floated last year. This works out on the basis of 4 per cent. at 13·39 lakhs per annum. Allowing for the new charge for the two years 1342 and 1343 Fasli, total 26·78 lakhs, there is still an overcredit of 6·49 lakhs. We could, had we wanted to swell our surplus for 1343 Fasli have written back 6 lakhs to General Revenues but we have resisted the temptation and left the amount in the Reserve.

The Famine Reserve stands at 247·10 lakhs and a portion of the interest on it is being used for a well-defined well-sinking programme in the Famine districts, which was begun in 1337 Fasli and under which 509 wells have already been sunk and remodelled, and 152 were under construction at the end of 1341 Fasli in the Raichur district. The Industrial Reserve from which help in various directions for small industries and large industrial concerns is given in the shape of loans which thereby do not affect the corpus of the fund, stands at 76·91 lakhs. The Railway Purchase Reserve will now cease to exist with the discharge of the liabilities for which it was constituted, and the Government will own *without any further payment*, its railway system, the capital at charge of which is 15½ crores O.S. and the net earnings even under the present economic depression is 112 lakhs, giving a return of 7 per cent. It is unnecessary for me to deal in detail with this transaction which has led to this result as it was fully explained in Extraordinary Gazette of 10th Ardibehisht 1339 Fasli and my Budget Note for 1340 Fasli. It is sufficient to say that the purchase was effected 4 years earlier than what would have been normally the case at a price calculated much below what Government would have had to pay in 1934, owing to the fact that the payment of English Income-tax to the extent of 25 per cent. of the net earnings was avoided by the liquidation of the

English Company and its substitution by the agency of the Nizam's Government. In connection with the Railway it might be observed that Hyderabad has taken a lead in co-ordinating road transport with railway and bringing the two under one Board of management, which has already spent 4·89 lakhs on starting motor service in the districts and the City and propose to spend 7 lakhs more next year. Already these services have become entirely self-supporting, paying full depreciation and interest, whilst securing to the public the advantages of a cheap, regular and comfortable motor service especially in the districts. The O.S. Stabilization Reserve constituted from Profits on Coinage in order to maintain the Halli Sicca rupee at a ratio to the British Government rupee within definite points amounts to 358·62 lakhs. The Paper Currency Reserve is Cash 728·35 securities 350·36 lakhs, the net circulation being 1,078·71. The only amount of debt outstanding which is uncovered by the amount at present at the credit of the Debt Redemption Reserve is about 3½ crores, payable between 1351-1361 Fasli whilst on the other hand not to mention Railway but only one out of the many Irrigation Projects constructed in the last decade the State has in Nizam Sagar alone a Capital asset which has cost over 4½ crores.

It seems paradoxical that with revenues hard hit by the prevailing depression and without levying any extra burden on the tax-payer of the State, who I may add in parenthesis has never yet paid any income-tax, it has been possible for financial equilibrium to be maintained. The result is entirely due to two factors. One is that the expenditure of these Dominions has not been geared up to a high level of taxation. The other and equally important factor has been that His Exalted Highness' Government have ever since the beginning of this century believed in steady rather than in a spectacular advance in the matter of expenditure. Step by step as funds become available activities begun at first on a small scale have only been expanded if justified in the light of experience and as funds became available. This applies more especially to recurring expenditure. His Exalted Highness' Government have always been and still are extremely strict in adding to their permanent recurring liabilities. This is not to say that every year does not see some addition to our recurring expenditure ; we add to it gradually as we

see our resources expanding and not in vague anticipation of expanding revenues. The same policy of embarking on projects only when funds are available or in sight has been followed in regard to non-recurring expenditure, such as on irrigation works, roads and railways ; but because from its very nature capital expenditure on any scheme is limited in its duration and the total cost capital capable of being estimated, Government has been able to be much more generous towards schemes of non-recurring expenditure than it has been and is to expenditure entailing a permanent addition to our liabilities. It is light taxation and a strict control over increases in recurring expenditure that has under Providence enabled these Dominions to come through financially sound out of perhaps the most difficult period in their recent economic history.

HYDERABAD (DECCAN),
5th Aban, 1342 F.
10th September 1933 A.D.

A. HYDARI
 H. N. JUNG,
Finance Member.

Scheme of Departmentalization of Finances

THE Executive Council has desired that in future, a note should be attached, as an enclosure to each Budget Note, explaining the Scheme of the Departmentalization of the Finances, on which the Hyderabad Budget is framed. In accordance with this desire the following note has been framed for the benefit of those, who have not had an opportunity of reading the exposition of the scheme in previous Budget Notes.

The main ideas of this scheme were formulated by me in the following paragraphs, with which I presented my first Budget Note for 1331 Fasli on appointment as Finance Member.

“ I shall try to eliminate as far as possible, from the ordinary revenue and service expenditure of the State, purely temporary items of expenditure and especially those which should not genuinely be considered as such. For example, receipts on account of sale of funded investments, like Government Promissory Notes might swell the cash balance of the State, but being at the expense of our invested balances their inclusion would distort a correct view of our revenue income. Similarly, the profits from *Osmania Sicca coinage, which formerly used to be invested in a separate reserve (the Kaldar Reserve), cannot be depended upon as a regular source of income, and, cannot therefore be treated in the accounts as an ordinary source of revenue. On the other hand, meeting the whole of the famine expenditure as part of the ordinary expenditure of the year in which the famine, after a cycle of years, happens to occur, abnormally exaggerates the position, as regards expenditure, of that year.”

“ One of the problems, to which the Financial Department proposes to address itself in the coming year, is the revision of the classification of the heads of receipts and disbursements in such a way as to exhibit each class in its true perspective and to earmark the

Departmentalization
of the Finance.

*O. S. Rs. stands for Osmania Sicca Rupees, the State currency.
B. G. Rs. stands for British Government rupees, the British India
currency.

different funded investments under separate reserves according to the sources from, or the objects for, which they have been constituted. There is also another object in view in this revision and that is, what I might call, the *Departmentalisation of the Finances*. In a passage that has become classic, Sir John Strachey showed how before the provincialization of the finances in British India, it was the Province that cried the loudest, and not the one that deserved the most, that got the largest share from the common treasury of India ” :—

“ The local governments had no means of knowing the measure by which their annual demands upon the Government of India ought to be regulated. They had a purse to draw upon of unlimited, because unknown, depth. They saw on every side the necessity for improvements, and their constant and justifiable desire was to obtain for their own province and people as large a share as they could persuade the Government of India to give them out of the general revenues of the empire. They found by experience that the less economy they practised and the more importunate their demands the more likely they were to persuade the Government of India of the urgency of their requirements.”

“ Applying this analogy of the *Provinces* in British India to the different *departments* of this State, giving the most to the department that cried the most was a policy which led to no practical difficulties when as ten or even five years ago, a surplus of over a crore or even a crore and a half out of a total revenue of between five and six crores was a normal feature of the State Budget. But this has become impossible now, when as will be observed when I deal with the budget figures for 1331 F., in detail, the highest receipt budget, that has so far been framed, is just sufficient to meet all the demands of expenditure to which the Government practically stands committed ; and the policy, that suggests itself to me as the best at present for adoption, is to fix the total grant of each department for a number of years and give it a large measure of autonomy within that grant, subject of course, to such general restrictions as are necessary to avoid any undesirable developments or precedents, and subject also to a rigid and really effective audit. The department must carry out whatever measures of reform it might desire to institute within this grant. If it happens to have any proposals for capital

expenditure, it must provide, within its grant, for the amount of interest by which the earnings of the project fall short of the interest charges, incurred by the State in financing it. If after such allocations of the ordinary income among the different departments and making due provision every year for the formation of specific reserves for such classes of expenditure as, like famine, come inevitably but after a cycle of years, there happens to be a surplus it would be the happy privilege of the Finance Department to suggest how that surplus could be most profitably distributed, the first claim on it ordinarily being that of the department contributing to its creation and then of development departments like Education, Sanitation, Commerce, Industries, Irrigation and Communications, that promote the mental, physical and economic efficiency of the people. Until, however, such a surplus is actually in the coffers of the State, the Members in charge would be trusted to see that the expenditure is kept from year to year within the grant fixed for them for a definite period.”

“The scheme was sanctioned in 1331 F. and the following gives the latest version of the rules which were framed to give effect to my proposals and passed by the Executive Council of His Exalted Highness the Nizam’s Government on 27th Aban, 1331 F. and subsequently slightly amended at the time of 1338 F. Budget.

I. The grants allotted to each department shall be fixed for three years beginning from 1332 Fasli provided that—

(a) if any particularly adverse conditions like Famine or severe scarcity arise, they will be liable to curtailment,

(b) if there is any increase at the end of the year over the Normal Receipts the excess will be distributed by additional allotments to the different departments in such a way as Government may decide.

II. Each of the spending departments noted in the margin will be entitled to spend in addition to its normal grant any increase in its Receipts and the proceeds of any fees or cess, etc., that may be imposed lawfully for the service of that department.

Post Office and
Departments under
“F” Administration.

III. A department may be given in special circumstances a special allotment for expenditure in advance, if the Government is satisfied that the Expenditure will be covered by a corresponding increase in the Receipts.

IV. Each of the Commercial and quasi-Commercial departments mentioned in the margin shall have at its disposal :—

Printing,
Electricity, Work-
shop, Telephone,
Industrial Con-
cerns, Jail Indus-
tries and Station-
ery Depot.

(a) its normal net grant, if any, is fixed,

(b) and the Receipts earned by it, out of which it will have

(i) to defray all working expenses

(ii) provide for suitable depreciation

(iii) pay to Government interest at 5

per cent. on the total Capital at charge. From the balance left it will pay such profits to Government as the circumstances of the department permit.

V. Every Expenditure will be subject to Budget provision. Expenditure in excess of the normal grant will be allowed either in the circumstances mentioned in Rule III or if the department has an equivalent amount of surplus balance at its credit brought over from the previous year. Sanction, under Royal Commands issued without the initiative of the department, will be in addition to the normal grant and will be in excess of the Budget provision.

VI. Percentage and scale charges payable under the rules on revenue collected, as also refunds, rebates, and remissions of excess collections shall not be subject to Budget provision.

VII. The savings from departmental grants shall be placed at the credit of the department concerned for expenditure during the years of the contract, and at the end of the third year, one-half of the amount of the unexpended surplus of each department will be carried forward to its credit for the next period of the contract but the savings by reduction under the following heads will lapse entirely to Government :—

1. Mansabs and special allowances

2. Yomias, Mamuls (not conditional on performance of service)

3. Rusums
4. Reductions under Irregular Troops
5. Tahrir of Sarishtadars
6. All sinecure allowances.

VIII. If any department desires an increase for its capital beyond the capital grant already sanctioned, it must provide, within its grant, *i.e.*, from its receipts, for the amount of interest at 5 per cent. on the whole capital inclusive of the old as well as the new capital claimed. This will be the first charge on its gross Receipts.

IX. The charges under Salaries and Allowances, Contingencies, and Supplies and Services, shall be regulated by the scales, rules and regulations in force from time to time.

X. The departments will have full powers of inter-appropriation of grants under Contingencies and Special Charges (Supplies and Services) excepting the grants mentioned in Rule VI. They will also have power to reappropriate from Contingencies and Special Charges to Travelling Allowance and Tour Charges.

XI. The savings under Salaries and Personal Allowances on account of appointments unfilled shall not be appropriated for the creation of permanent appointments, but may be utilised for the payment of arrears of pay or temporary appointments not costing more than the amount. Permanent reduction in establishment below the cadre fixed by Government on the recommendation of the Salaries Commissions can be appropriated for the creation of new appointments as well as for increase in contingencies, special charges and other improvements of the department.

XII. The allotments for Travelling Allowance and Tour Charges and also the provision for works under Forest, Buildings and Communications, Irrigation and Public Improvements and grants for Petty Construction and Repairs placed at the disposal of each department shall not be appropriated for salaries and contingencies except with the express approval of the Finance Department, which will be accorded only in very exceptional circumstances.

A. HYDARI,

Finance Member.

Budget Note for 1344 Fasli

FOR the last twelve years the system of triennial contracts has been the frame of the financial structure of Hyderabad State. With the year 1344 Fasli, the Budget Estimates for which I now bring forward, begins the fifth triennial contract. I have already explained the working of this system in my Budget Note for 1343 Fasli, but because of its importance I again explain it here.

It has been styled Departmentalization of the Finances, and it was introduced in the Nizam's Dominions under His Exalted Highness' Farman of the 27th Safar 1341 H., that is to say, some twelve years ago, when I took over charge of the Finance portfolio. The procedure, briefly stated, is this:—At the beginning of each triennial period the Finance Department makes a forecast of revenues, which are likely under normal conditions to accrue during the three years. With this as guide and in consultation with the other departments of Government, it fixes the normal budget grant of each department for each year of the triennial period. The word "normal" might perhaps convey the false impression that the forecast will be rigid and static, making no allowance or provision for growth and development during the contract period. Nothing could be further from the truth. In fact, just as the forecast of revenue made at the beginning of each triennium, on which the norm of revenue is based, includes anticipated ordinary increases, so the estimate of the annual requirements of each department, framed in consultation with that department, on which the norm of expenditure is fixed, includes provision for such development as the department can foresee during the three-year period. If, on the conclusion of a triennial period, there is any surplus, that surplus also is distributed among the various departments, together with a moiety of the estimated amount which a department has failed to spend at the end of the contractual period, while the other moiety continues to stand to the credit of that department during the next

triennium. From the reserves thus created extra grants are made—preferably for schemes which do not involve a recurring liability, which can be completed in a given time and the total cost of which from start to finish can be reckoned ; such, for example, as the provision of buildings and equipment for various departments, especially those concerned with internal development, roads and communications.

In order that expenditure under such heads as 'Famine' which recurs inevitably but after a cycle of years, or 'Redemption of Debt Loans,' which has to be effected in a given period, may not cause any disturbance in an otherwise clear financial programme, regular and separate Reserves have been formed, to which fixed annual allotments are made so that the estimated liability may be covered when it actually occurs.

This system makes for a well-deliberated and far-seeing programme with due care and economy in the expenditure. It avoids the rush of often hurried and ill-considered expenditure at the end of a budget year in which the spending departments are apt to indulge, where the system of grants lapsing at the close of the financial year obtains. Although the Finance Department expressly reserves to itself the right to reduce the contract grants of the various departments in case of some grave financial emergency, the Finance Department has not so far exercised this right. During the last 12 years, not only have the triennial contracts with the departments never once been broken but, where good and sufficient reason has been shown, Government have sanctioned extraordinary expenditure by departments over and above the contract grants.

That is the outline of our system of Departmentalization of the Finances.

I append to this note a special Statement (A) showing the Receipts and Expenditure fixed as Normal in the five Triennial Contracts from 1332-1346 with the object of showing what their trend has been. It will be observed that the total Receipts have gone up by 151½ lakhs and the Expenditure by 138½ lakhs since the first Contract. A careful study will, however, show that if the Railway, Interest and Debt Redemption figures are excluded from both sides of the account, the increase in expenditure

is 114 lakhs whilst that under receipts is only 71 lakhs—in other words, an increase to the extent of 43 lakhs in expenditure as compared with the increase in receipts.

The excluded figures of Railway, Debt Redemption and Interest show on the other hand an increase of receipts over expenditure of 56 lakhs, namely 80 lakhs receipts and 24 lakhs expenditure. Thus it is these heads, the increase in which is mainly due to the purchase of the Railway, that have enabled the expansion in expenditure at a rate much more rapid than the increase of receipts to be financed. Before the Railway purchase, the receipts from Railway Debentures and Stock were credited to Interest and a moiety of the surplus net earnings, to which alone Government were then entitled credited to Railways, but now of course the entire earnings go to Government and are credited to Railways. For the purposes of comparison, therefore, the totals of these heads and of Debt Redemption are taken together and show an increase of 80 lakhs over the figures of the first Contract. Without going into very nice calculations, this increase represents a 7 per cent. yield roughly on 7 crores net paid on the purchase of the Railway and $5\frac{1}{4}$ crores on the fresh construction of Government owned lines.

Analysing the increase in Receipts of 71 lakhs, the main heads of Revenue contribute 43 lakhs to the increase. Out of these, however, an increase under Land Revenue of 22 lakhs is on the assumption that no remissions will be necessary. Hitherto in view of these remissions, the Land Revenue figures have not gone up beyond 309 lakhs. On the other hand it must be observed that Customs has been put down 10 lakhs lower than in the first Contract 12 years ago while the population has increased by about 2 millions. I am anticipating, with the recovery, of which signs are visible, a higher return under Customs. Also under Excise the increase is estimated at only 11 lakhs. I hope, however, with the strict enforcement of the Madras system and the elimination of unjustifiable competition, there will be increase in the price coupled yet with decrease in consumption of liquor, making the receipts larger, in the same way as under Opium and Ganja where there has been an increase of $6\frac{1}{2}$ lakhs, upon a revenue in the first Contract of only 9 lakhs, the consumption having at the same time gone down by 33 per cent.

(from 12,716 seers to 8,709 seers). Forests are expected to show an improvement of about $6\frac{1}{2}$ lakhs. Stamps, Registration and Post Office bring in about 8 lakhs. There is one item of receipt which figures in the State Budget for the first time in the next Contract and that is Excise Duty on matches. The Hyderabad Government have agreed to impose an excise duty on matches and to pool its proceeds with the Imperial Government taking a pro rata share on a population basis. It is the first instance of fiscal co-operation which it is hoped will grow with the progressive emergence of an All-India Federal Constitution. The increase under Miscellaneous of 3 lakhs is due to a somewhat similar source, being the contribution of the petrol cess levied in British India and apportioned to Hyderabad.

There remain the Finance heads of Paper Currency, Exchange, Mines and Mint which contribute as much as $17\frac{1}{2}$ lakhs to the total of 71 lakhs. Out of these heads Paper Currency is responsible for 16 lakhs. The note circulation at the beginning of the first Contract was 1.54 crores. It is now 11.05 crores and the investment of 3.64 crores amounting to one-third of the circulation, which under the Hyderabad Paper Currency Act can be held in the shape of Government of India Paper, brings an annual revenue of 18.20 lakhs.

The growth of Expenditure, excluding Interest, Debt Redemption and Railway, from the first EXPENDITURE. to the forth-coming Contract amounts, as I have said, to 114 lakhs, and would not have been balanced by the Receipts but for the purchase of the Railway.

An analysis of this increase in Expenditure shows that the various Departments of Revenue including Registration, Stamps and Post Office, are responsible for an increase of 19 lakhs, and General Administration, including the Civil List and Tour grants of the Princes, etc., for an increase of $15\frac{1}{2}$ lakhs to their annual allotment. The Departments, of Internal Security and Defence (Military, Police, Courts and Jails) have obtained an annual addition of 25 lakhs to their Budget, of which the major portion has come from the savings effected by measures of retrenchment, to which a reference had been made in my Budget Note of 1333 F., such savings having been kept under a separate head for the reorganisation of the State Forces.

On the other hand as much as 56 lakhs per annum, about 50 per cent. of the total increase in expenditure, have been allotted to nation-building departments like Education, Sanitation, Industries and Agriculture (48 lakhs) and to Municipal and Public Works in the City and the Districts (8 lakhs).

The above analysis shows the increases of Receipts and Expenditure in the annual recurring figures in the triennial Contracts between 1332 and 1346. To give a complete idea of the financial progress of the State, however, I must now mention the second cardinal feature of the Hyderabad Budgetary system, namely the distribution, among the different departments for non-recurring expenditure like Buildings, Roads and equipment, of the triennial surpluses *after they have accrued*, together with a moiety of their savings at the end of each contract, the other moiety of their savings being allowed to continue to their credit for the next Contract. The surpluses in the last four contracts will have amounted to 849·03 lakhs and the moiety Departmental Savings to 174·26 making a total of 1,023·29 lakhs which were distributed as follows :—

About one-third (311·58 lakhs) was set apart towards the purchase of the Railway whereby, as previously mentioned, a splendid investment has been made for the State. Another 67·59 lakhs has been given for starting the Industrial Fund, the object of which is to help the Industrial Development of the State by investing the corpus in Debentures, Stock, etc., of large industrial enterprises and with the return obtained from such investments, helping smaller industries, conducting industrial surveys and such other measures. A sum of 18½ lakhs which had been spent for Protective Works from the interest of the Famine Insurance was put back in the Reserve, which now stands at 246 lakhs whilst 12·82 were paid on account of interest due for the broken portion of the year in which the last loan was floated. Grants amounting to 212·81 lakhs have been given to the Hyderabad City Improvement Board, the District and City Municipalities, etc., for the provision of Communications, Drainage, Water Works, and other improvements at the capital and in the districts and 194·20 lakhs for Districts Roads and Buildings.

The nation-building departments like Education, Public Health, Archæology, Co-operative Credit, etc., have obtained 39·58 lakhs, the Revenue earning departments

General Administration, etc., 24·55 lakhs and the departments of Defence and Internal Security 7·18 lakhs. The expenditure on account of marriages and tours of the Princes amounting to 30·58 has also been financed from this source without disturbing the normal Budget. Under Miscellaneous, donations and subscriptions to charitable institutes amounted to 9·04 lakhs, the expenses to the three Round Table Conferences and the Joint Select Committee 5·94 lakhs, External Relations Committee 7·17 lakhs, Miscellaneous grants 2·12 lakhs, construction of Railway Saloons 1·26 lakhs, paying off Sillahdari Fund Advances 4·34 lakhs—Total 29·87 lakhs. There remains after the above distribution a balance of only about 74 lakhs, to which the triennial surpluses have been reduced in the last contract. From this amount special non-recurring charges like Drainage and Buildings which have been commenced and not completed, will be met in the next year.

Thus gradually has the expenditure crept up to the revenue and the objection made by some critics of the earlier budgets of inflated surpluses has now disappeared owing to the gradual progress of administration and the increasing demands made on Government to finance that progress. The departments must now make up their minds to look to themselves for funds if they desire to expand rather than hope for additional funds from the Finance Department. There is room for economy in many of them. For instance it is becoming more and more recognised that the scale of gazetted salaries in some departments which was fixed in 1331 F., is now, when compared with the scale in force in British India where income-tax and super-tax have to be paid, on the high side. A Commission has already been appointed to consider the whole system of education in the Dominions so as to enable the expenditure on education to be so regulated as to increase the spread of real literacy amongst the masses and decrease unemployment among the educated classes.

At the same time the Finance Department is not without hope that the receipts from Customs and Abkari should develop and stand at a higher figure than that which has been taken as the normal of the next contract. The same remark applies to the figures for Railways,

which do not take account of any increase that may result on an improvement of the present economic conditions of which already there are signs ; for instance, the price of cotton has gone up within this week up to 218 rupees as against 209 rupees on the corresponding date last year.

Coming now to the point of view of Ways and Means, a statement is appended (Statement B) giving the Actuals from 1332-1342 and the Revised for 1343, which cover the 12 years of the last four contracts.

Since 1332 only one loan has been floated amounting to 398·43 lakhs. In this connection it may be mentioned that at the end of 1331 the amount of the previous outstanding loans, etc., amounted to 299·70 lakhs ; at the end of 1342 it stood at 216·17—the balance of 83·53 lakhs having been paid off from the accrued balances of the Debt Redemption Reserve, which now stands at 143·40 lakhs.

Investments during this period amounted to 447 lakhs ; of which 311·58 lakhs were for the purchase of the Railway ; 67·59 for the Industrial Reserve and the balance 67·83 for the Deposit and General Reserve, which now stands at 70·45.

The Capital Expenditure which was incurred amounted to 1,124·76 lakhs. Out of this 37·64 lakhs (the net figure is 19·42 as the City Electricity paid 18·22 from its Depreciation Fund towards reduction of Capital) was on account of Electricity, 27·89 lakhs gross or 9·67 net City Electricity, and 9·75 lakhs District Electricity ; the former has been paying during all this period full interest and depreciation and a profit over and above varying from 1·08 per cent. in 1339 F. to 2·61 per cent. today ; while at the same time the rate to the consumer has been reduced gradually from 7 annas to 6 annas per unit.

With regard to the Districts, supply of Electricity has been sanctioned in three District Headquarters, Aurangabad in 1336 F., Nizamabad and Raichur in 1342 F. The actual cost including 0·86 for Aurangabad mains has been 4·05 as against the original estimates of 3·19. The return in 1344 F. is expected to be 4·38 per cent. as against 6·1 per cent. (including interest but after charging depreciation) in the original forecast on which sanction

was given. The expenditure on the schemes in the other two Districts has amounted to 5·70 lakhs against sanctioned estimates amounting to 7·45 but no comparison of the actual with the original forecast is at present possible owing to their having not yet been completed.

The remaining 44 lakhs of Capital Expenditure were distributed as follows :—

The City and District Telephones have spent under Capital Expenditure 10·44 lakhs. Out of these 6½ lakhs are for City Telephones, 4½ for Telephones at Aurangabad, Jalna, Raichur and Warangal. The City Telephones are just able to pay interest and depreciation on Capital ; the District Telephones are yet in their infancy.

Under Mines there has been an expenditure of 11·12 for the purchase of the mining rights of Sir Fazalbhoy Currimbhoy, which bring in an annual royalty of ·94 lakh from the Singareni Collieries, Co., meaning an yield of 8·5 per cent. nearly. The grants aggregating 5·18 lakhs have been made to the departments of Industries for Alcohol Factory, etc. The expenditure cannot be regarded as remunerative. Printing has received a grant of 13·54 for buildings and machinery and has been paying interest on its total Capital at charge. The Mint Workshop has been given 3·62 for machinery but it has not been able to fully pay for the depreciation and interest charges.

After deducting the above, there remains a balance of 1,061·43 lakhs, which represents the Capital Expenditure on the two main objects of such Expenditure, *viz.*, Railways and Irrigation and is practically divided equally between these two heads being 525·30 for the former and 536·13 for the latter.

The new Railways that were constructed were :—

Kazipet-Belharshah line (145 miles) providing the direct route between Madras and Delhi.

Parbhani-Purli and Vikarabad-Purli lines (205½ miles) and the Karepalli-Kothagadium line (24½ miles).

The Interest and Depreciation charges on the Capital Expenditure on Railways are more than covered by the Net Earnings. The general principle by which all proposals for Railway Capital Expenditure are scrutinised is whether they should almost immediately on completion

be paying propositions. The traffic prospects for new lines are carefully surveyed and sanction is not accorded unless there is every prospect of the line paying its way within 5 years at the outside. As a matter of fact the lines that have been constructed during the period of the last four contracts have all paid their way within a much shorter period, indeed almost immediately on completion.

Before leaving the subject of Railway Capital Expenditure mention should be made of the striking success which Government have met in their scheme of co-ordination of Railway and Motor Transport. They started in 1341 F. with a capital expenditure of 4·77 lakhs with 27 buses. They will have earned 2·10 by the end of 1343 F. The success of their first experiment encouraged them to take another step in the expansion of this service. They have now a fleet of 64 buses plying in the City (15 buses) and in the Districts (49 buses) which are obtaining a return of 10 per cent. per annum after making due provision for depreciation (16 per cent. of gross earnings). In this expansion due regard is paid to the elimination of vested interests gradually, although it should be remembered that these interests mean profiteering by a few privileged persons at the expense of the public, whilst in the case of the Railway Motor Service the profits made go back to the public through the treasury of the State. It is satisfactory to note that the public has now come to appreciate the Railway Bus Service on account of its greater safety and regularity.

Coming now to Capital Expenditure on Irrigation the following works have been constructed during the period at a cost of *536·13 lakhs approximately: Nizam Sagar 435½ lakhs, Wyrā 35 lakhs, Palair 25½ lakhs, Royanpalli 2¾ lakhs, Fateh Nahar 5¼ lakhs, Mahbub Nahar Extension 32 lakhs. Total 536 lakhs. The original estimates of these works amounted to 378½ lakhs. The original forecast provided, after the projects had fully developed some years after their completion, a return of 46·16 for Nizam Sagar, 1·99 for Mahbub Nahar Extension, 1·52 for Wyrā,

*NOTE.—These are the Accounts figures. The P.W.D. figures are respectively 426·79 lakhs, 34·16 lakhs, 24·65 lakhs, 2·89 lakhs, 5·29 lakhs, and 31·53 lakhs, Total 525·31 lakhs. The difference of about 11 lakhs is stated to be due to the Accounts figures not taking into account the cost of tools and plant and stores to be credited to works.

1·71 for Palair, ·08 for Royanpalli, ·41 for Fateh Nahar total 51·87 lakhs. It is hoped to have in the course of this triennium definite figures kept on the basis, which has now been agreed upon by the Revenue, Public Works and Finance Departments for the maintenance of Capital accounts by their revenue being allocated to Interest, Irrigation, Land Revenue, etc., as was contemplated in my Budget Note of 1332 when introducing the Departmentalization scheme. These figures will enable Government to ascertain exactly how far the returns on Capital Works are following the original forecasts.

Having dealt with the budgetary figures in terms of ACTUALS the triennial contracts, it remains for me 1342 F. very briefly to deal, in accordance with the usual practice, with the Actuals of the preceding year, the Revised Estimates of the year which is coming to a close, and the Budget forecast for the next year.

The Actuals of Receipts follow practically the Budget for 1342, 801·13 lakhs as against 801·42 lakhs, though there have been variations under various heads, the over-estimates having been 2·07 lakhs under Forests, 8·08 lakhs under Customs, 2·09 lakhs under Stamps and 15·42 lakhs under Railways, all due to the prevailing economic depression. On the other hand the introduction of the Madras system in Secunderabad gave 4·77 lakhs increase under Excise, and there was also increase of 2·26 lakhs under Opium and Ganja. The bonuses received on the conversion of the 5 per cent. Government of India Securities and better interest on loans advanced by Government brought in 18·22 lakhs more than the Budget. Paper Currency also gave an increase of 2·03.

The total Expenditure from the current revenues of the year was 770·80 leaving a surplus of 30·33 lakhs against a budget of 22·03.

Supplementary grants sanctioned after the Budget from Surpluses amounted to 46·69 lakhs of which about 5½ lakhs were for an Additional Nazim-i-Atiyat, additional Members of the Judicial Committee and establishment for the Agricultural Survey of the Purna-Krishna project; 1½ lakhs were for special grants to the Educational and Medical Departments, 8·24 lakhs on account of the Princes, 9·49 lakhs grants to District Municipalities, 1·73 lakhs to the City Drainage, 4·59 lakhs to the City Improvement Board, and other Buildings about 10 lakhs.

The Revised figures for 1343 Fasli tell the same tale as the Accounts for 1342. In the aggregate the Receipts do not differ very much from the Budget being expected to be 796·51 lakhs as against 797·58 lakhs. Land Revenue, Excise and Paper Currency are expected to show an increase of about 10½ lakhs. Railways, Forests, Customs, Stamps, Registration and Interest together are expected to show a decrease of 11½ lakhs.

The ordinary Expenditure excluding the expenditure (56·84) met from Departmental Balances, but including Departmental Balances carried to Departmental Account (41·41) was 764·84 against the Budget of 780·94, leaving a Surplus of 31·67 against the budgetted surplus of 16·64. The Departmental Savings of 41·41 are mainly, under Buildings and Communications (20·95), Education (7·37), Military (3·00), General Administration (1·66), Police (1·61), Irrigation (1·52), Customs and Forest (1·00) each, Industrial (.89), Veterinary (.77), Medical (.74) and Courts (.70).

The Budget figures for 1344 Fasli cannot obviously show much departure from the Normals of the Contract of which they are the first year. The Receipts are 848·58 lakhs against a Normal of 852·96 lakhs, the difference of about 4 lakhs being due to 1 lakh less under Land Revenue, 2 lakhs under Customs, and 1 lakh under Railways, which are expected to go up in the following years of the Contract.

On the Expenditure side also the difference is only 2·51 lakhs between 821·60 lakhs for the Budget and Normal of 824·11 lakhs, and is due to about 1 lakh less under the various Revenue Departments, and another lakh under Military.

As compared also with the Normals of the contract which is just coming to an end, the totals of the Receipts do not show much difference being 848·58 lakhs against 843·64 lakhs, a decrease of about 20 lakhs under Receipts from the Revenue Departments having been made up by the increase in the Receipts under Railways. On the Expenditure side, however, there is a considerable advance over the Normal allotment of the last contract in the budgetary allotments to the various departments (Interest and Debt Redemption heads 22¼ lakhs being excluded) :

the Revenue Departments show an increase of about 2½ lakhs, General Administration, Princes' Civil Lists and Tour grants, etc., about 14¼ lakhs. Of the departments of Internal Security and Defence, the Military Department has practically used up the 10½ lakhs which it had to its credit under Reserve for Reorganization; and Police, Jails and Courts are being allotted 4¼ lakhs. Coming to the Development Departments, the Educational grant has been increased by about 5 lakhs per annum, while the increase given to the Medical and other Scientific Departments amounts to half that figure. The most considerable allotment is to Municipalities, especially District Municipalities and Buildings and Communications, the annual grant for the next year under these heads having been increased by about 11 lakhs over the figures of the last contract.

The Cash Balance statement shows that the year is expected to close with a cash balance of 79·65 against an opening balance of 104·64 lakhs after meeting an expenditure of over 75 lakhs on account of allotments from past surpluses and departmental balances, and providing 46·88 lakhs for Capital expenditure on account of Irrigation Works (16·22 lakhs) ordinary open line Railway construction (19·63 lakhs), and Electricity and other concerns (11·03 lakhs). In addition to the above the construction of the Bolda-Adilabad Railway line (114 miles) which is expected to bring in a return of 8¼ per cent. in five years is contemplated. It is hoped that it will be possible to finance it without floating, at any rate immediately, any loan. Whenever, however, in view of the easy money conditions now prevailing it is considered desirable to do so, the debt position is expected to be an increase of only 722 lakhs against a total expenditure during the period, of 1,269 lakhs on account of Capital Works, [Irrigation (552½ lakhs), Railways 642½ lakhs and other Capital concerns 74½ lakhs]. The various Reserves are expected to stand at the end of 1344 F. at 9½ crores excluding the Paper Currency Reserve of 3½ crores; whilst the Capital at charge of the Railways will be over 13½ crores.

The Surplus for 1344 F. has been budgetted at 18·94* lakhs. While it is possible that the receipts under Land Revenue which have

* After allotting 8·02 lakhs for extraordinary Expenditure for remodelling of Hyderabad Broad Gauge Central Station, construction of Aerodrome, compilation of Revenue and Account Codes, etc.

been taken at 321 lakhs may be less, there is reason to hope that the receipts under Customs, Abkari and Railways may be better. Compared with previous surpluses it is a modest figure, but it is after making full provision of 15 lakhs in the Famine and 13½ lakhs in the Debt Redemption Reserves bringing them respectively to 264·92 and 159·51 ; and then as I have said before, it expresses the progress which the spending departments have made in their normal activities in utilising fully the grants that are being allotted to them. At the same time the margin between Receipts and Expenditure has now so much contracted that the utmost vigilance will be required before committing the State to any proposals or schemes for additional expenditure unless and until there are sure indications of that margin being widened by improvement in our revenues, and increases in our railway earnings and irrigation returns.

HYDERABAD (DECCAN),

7th Aban, 1343 F.

12th September, 1934 A.D.

A. HYDARI

H. N. JUNG,

Finance Member.

STATEMENT A.

Normals of Receipts and Expenditure from 1882-1884 to 1844-1846 Fasli.

	RECEIPTS						EXPENDITURE				
	1882-84 Fasli	1885-87 Fasli	1888-40 Fasli	1841-48 Fasli	1844-46 Fasli	1882-84 Fasli	1885-87 Fasli	1888-40 Fasli	1841-48 Fasli	1844-46 Fasli	
I	2	3	4	5	6	7	8	9	10	11	
1-A. Land Revenue	300.00	300.00	305.00	315.00	322.00	67.68	62.22	64.47	65.60	67.00	
1-B. Forests by Rev. Officers	4.53	5.50	6.75	1.00	1.60	..	..	..	..	..
2. Forests ..	5.50	9.50	11.50	16.00	12.00	9.08	8.40	8.88	10.40	10.00	
3. Customs ..	115.00	125.00	138.00	135.00	105.00	14.98	17.70	21.03	21.97	22.40	
3-A. Excise Duty on Matches	..	..	..	..	10.00	..	..	..	..	..
4-A. Excise ..	144.80	145.00	158.67	158.07	155.00	27.11	27.07	31.42	32.10	35.20	
4-B. Opium & Ganja	9.00	11.00	11.00	12.00	15.50	1.04	1.20	1.25	1.50	1.25	
	578.33	596.00	630.92	637.67	621.10	119.79	116.59	127.00	131.57	135.85	
5-A. Stamps ..	17.00	19.00	19.85	22.00	20.00	2.18	1.47	1.60	1.74	1.30	
5-B. Registration	2.10	2.70	2.70	3.20	3.00	1.01	1.07	1.21	1.57	1.70	
6. Mines ..	1.20	1.00	1.60	2.60	3.56	.50	.54	.71	.90	.50	
12. Post Office	7.82	8.50	8.80	10.00	11.65	10.62	11.79	12.03	12.50	13.75	
	28.12	31.20	32.95	37.80	38.21	14.31	14.87	15.55	16.71	17.25	

STATEMENT A.

Normals of Receipts and Expenditure from 1882-1884 to 1844-1846 Faslî.

	RECEIPTS						EXPENDITURE				
	1882-84 Faslî	1885-87 Faslî	1888-40 Faslî	1841-48 Faslî	1344-46 Faslî	1882-84 Faslî	1885-87 Faslî	1888-40 Faslî	1841-48 Faslî	1844-46 Faslî	
1	2	3	4	5	6	7	8	9	10	11	
23. Education	65.58	65.28	76.76	88.51	88.90	
24. Medicine	19.61	19.11	22.16	25.90	27.20	
25. Religious..	9.97	11.58	13.20	13.06	13.10	
26. Agriculture	1.71	2.03	3.84	8.90	8.60	
27. Veterinary	4.01	3.69	4.59	4.82	5.00	
28. Co-operative	2.92	3.00	3.49	4.15	4.45	
29. Miscellaneous & Minor Deptts.	1.02	.92	1.57	1.25	3.00	
38. Industrial	1.37	1.18	2.91	3.61	3.75	
30. Municipalities & Public Impts.	106.19	106.79	128.52	145.20	154.00	
31. Buildings and Comms.	81.09	14.94	13.55	13.62	18.85	
32. Irrigation	50.55	56.20	72.80	85.17	91.80	
39. Development	34.78	34.69	35.42	24.90	22.10	
	7.93	7.93	..	..	..
	.10	.65	.65	.20	.30	124.35	113.76	121.27	123.69	132.25	

34. Electricity	1.11	1.15	—	.26	.90	2.20	..	..	.22	.20	.22
35. Workshops	.54	.95	—	.35	.70	..	..	..	..	..	..
36. Printing ..	..	..	..	..	..	1.03	1.03	1.03	1.01	1.01	.94
37. Telephone	.42	—	.03	.03	..	—	.32	..	..	..	..
	2.07	1.47	—	.58	.20	1.88	1.03	1.03	1.23	1.21	1.16
33. Railways..	18.54	23.30	33.00	68.83	106.30	3.27	2.17	1.88	1.98	1.80	1.80
8-A. Interest ..	38.66	40.00	47.50	50.00	31.20	19.00	19.50	25.60	26.00	40.83	40.83
8-B. Debt Redemption	..	..	..	..	..	10.00	10.00	10.00	6.00	13.50	13.50
	57.20	63.30	80.50	118.83	137.50	32.27	31.67	37.48	33.98	56.13	56.13
40-B. Famine Insurance	..	..	..	..	..	15.00	15.00	15.00	15.00	15.00	15.00
41-A. Miscellaneous	2.31	2.50	2.50	2.50	5.75	8.00	3.80	4.42	4.20	7.27	7.27
	701.50	729.77	788.08	843.64	852.96	685.96	682.57	733.68	760.74	824.11	824.11

Cash Balance Statements

Items	ACTUALS				
	1932 F.	1933 F.	1934 F.	1935 F.	1936 F.
1	2	3	4	5	6
<i>Receipts.</i>					
Service Receipts	713.50	757.29	783.17	816.23	758.28
Deptl. Balance Brought Forward. ..	..	3.04	12.02	14.69	34.19
Investments cashed .. ..	..	..	..	..	..
Capital recovered .. ..	..	..	..	..	..
Debt Heads	477.47	354.77	327.39	609.26	386.76
Opening Balance	443.62	544.85	458.93	453.54	534.57
Total	1634.59	1659.95	1581.51	1893.72	1713.80
<i>Expenditure.</i>					
Service Expenditure.					
(a) From Current Revenues ..	656.85	656.83	628.71	621.95	653.69
(b) From Deptl. Balances .. ..	..	3.04	12.02	14.69	34.19
(c) From Past Surpluses .. ..	..	..	..	23.64	17.04
Deptl. Balance Carried Forward .	24.65	29.24	34.50	56.08	50.44
Investments	29.16	14.19	14.69	165.57	61.53
Capital Expenditure	60.33	79.56	64.68	120.82	126.75
Debt Heads	318.75	418.16	373.37	356.45	284.42
Closing Balance	544.85	458.93	453.54	534.57	485.74

Budget Note for 1345 Fasli

THE year 1345 Fasli being the middle year of the current three-year contract under the System of Departmentalization of the Finances, its Budget Estimates will not need much explanation. In accordance with a Resolution of the Executive Council, a note, explaining this system of triennial contracts in detail, has been attached as an enclosure to this Note. Here it will suffice to say that the figures that have to be considered under that System are, first, what are called the Normals of Revenue and Expenditure, being respectively a forecast of the revenues normally likley to accrue during the three years of the contract, and an estimate of the expenditure, made in consultation with the Departments as to their annual requirements, and including provision for such development as can be foreseen and allowed for during the triennium within the amount of receipts anticipated. In any particular year of the contract, the figures of receipts differ from the Normal owing to the divergence of that year's seasonal and economic conditions from those that were anticipated when the Normal was fixed. As regards expenditure, the scheme provides for the savings in the grants of each Department (owing to the department not spending up to the full amount of its provision) not lapsing at the end of the year but continuing at its credit as its Departmental balance for expenditure in subsequent years of the contract ; these are, therefore, taken into account in the total Service Expenditure of the year in which the savings were effected ; the expenditure from these Departmental Savings, on the other hand, in subsequent years is not included in the figures of Service Expenditure of those years. Thus the main causes of departure from the Normal of the figures of Service Expenditure in any year are, firstly, any extraordinary grants made from current revenues of the year, and secondly, the difference in the rates of monthly, quarterly, or annually recurring payments like Salaries, Pensions, Mansabs, Rusums, etc., due to the actual incumbents in

the year differing from time to time from those at the time the Normals were framed. Another feature of the triennial contract system is that whatever Surplus of Revenue over Service Expenditure as above accounted actually accrues, in the course of the three years, is again distributed amongst the various Departments for schemes, which do not involve a recurring liability but which can be completed within a definite period of time within the allotment given, as for example, buildings, equipment, roads, and communications. At the end of each contractual period from which a fresh contract begins, a moiety of the Departmental savings is allowed to be carried to the credit of the Departments for the next contract period, the other moiety being distributed in the same way as the accumulated Surplus of the triennium. Thus, in explaining the figures for any year, there are *first* those of current revenue and expenditure based on the Normal including any extraordinary grants made from the revenues of the year ; *secondly*, there are the amounts saved from the grants of the year and carried to Departmental Balances for being spent in subsequent years of the contract but taken into account in the year in which they were saved ; *thirdly* there are the figures of expenditure of the Departments from these Departmental Balances. *Fourthly* there are the grants distributed from the Surpluses that had accrued and from the moiety of the Departmental Balances at the end of the triennium which the Departments had failed to utilise, the other moiety being still available for these Departments for expenditure in the next contract period. *Lastly* there are the grants from the Reserves—formed and earmarked for specific purposes, *e.g.*, Famine, Industries. Bearing this explanation in mind, I shall now first proceed to deal with the Accounts of 1343 Fasli, which was the closing year of the previous triennial contract of 1341-43 Fasli.

The Receipts for 1343 Fasli, the last year of the previous triennium, were estimated in the Budget at 797·58 lakhs, and the Expenditure at 780·94 lakhs, the Normals having been 843·64 lakhs and 760·74 lakhs respectively. In the Revised Estimates the Receipts figures remained practically the same at 796·51 lakhs ; the Actuals on the closing of the accounts were 791·18 lakhs, the main cause of the decrease being the general depression which is reflected in considerable decrease under Railways and

ACTUALS
1343 F.
Current.

Customs. The Expenditure figures on the other hand of the Revised Estimates and the Actual Accounts have not shown any appreciable variation—764·84 lakhs and 767·22 lakhs respectively; their departure from the Budget figure of 780·94 lakhs is due to the payments under Salaries, (principally under Military Irregular Forces), Pensions, Mansabs, and such like monthly or annual recurring payments being, on change of incumbents less than what were originally allowed for. The Actual Surplus (23·96 lakhs) has, therefore, exceeded the Budget (16·64 lakhs) owing to less expenditure, but fallen short of the Revised (31·67 lakhs) owing to less Receipts.

The Expenditure during 1343 Fasli from Departmental Balances, which amounted at the end of Departmental Balance. 1342 Fasli to 121·13 lakhs, was 76·45 lakhs for which the principal spending Departments were : Buildings and Communications (37·91 lakhs), Irrigation (1·76 lakhs), Municipalities and Public Improvements (1·73 lakhs), Education (6·28 lakhs), Medical (1·68 lakhs), Military (3·79 lakhs) in addition to 10 lakhs from Reserve for Military Reorganization, Courts (1·01 lakhs), General Administration (2·66 lakhs), Land Revenue (1·65 lakhs), Forests (1·33 lakhs), Customs (1·09 lakhs). The balance thus remaining on this account to be carried over to 1343 Fasli was 44·68 lakhs.

At the same time savings accrued from the grants for 1343 Fasli itself, which the Departments failed to spend fully and which were carried to the credit of Departmental Balances at the end of that year amounting to 84·15 lakhs. The principal Departments to whose credit these balances were carried were : Buildings and Communications (38·58 lakhs), Irrigation (4·85 lakhs), Education (8·39 lakhs), Medical (1·85 lakhs), Military (5·70 lakhs), Police (1·84 lakhs), General Administration (1·84 lakhs). The Departmental Balances Account thus stood at the end of the year at 128·83 lakhs.

The grants out of actually accrued Surpluses of previous contracts amounted to 75·42 lakhs in the Budget to which were added by fresh sanctions in the course of the year 27·22 lakhs, making up the total to 102·64 lakhs; about 30½ lakhs were given to Municipalities and Public Improvements, viz., City Improvement 3 lakhs, Hyderabad Water Works 8 lakhs, Hyderabad Drainage 14 lakhs, District Water Works, etc., 5½ lakhs, and 32 lakhs were on Build-

ings. The additional grants of 27 lakhs were due mainly to the restoration of lapsed grants under Buildings and Communications (14·30 lakhs), State Reception expenses incurred in connection with the Viceregal visit (6·55 lakhs), and on Princes' expenses and tours (2·39 lakhs). Out of the total of grants amounting to 102·64 lakhs, 77·75 lakhs were spent and 4·87 (Buildings) carried to Departmental Balances (raising it from 128·83 to 133·70)—the rest lapsing to Government.

There was an expenditure of 3·03 lakhs from the Famine Reserve, to which 15 lakhs are added every year and which stood at the beginning of the year at 224 $\frac{3}{4}$ lakhs. The expenditure was mainly on account of the Well Sinking Department in the Raichur District, a famine tract. Expenditure by transfers from the Industrial Reserve amounted to 1·06 lakhs.

Thus the total service expenditure from all sources amounted in the course of the year to 841·36 lakhs, of which 683·07 lakhs came from the revenues of the current year and 154·20 lakhs from accumulations of Departmental Balances and Surpluses of previous years and 4·09 lakhs from Reserves.

In making up the accounts of the last triennium which ended with the year 1343 F., the Departmental Balance account stood, as stated above, at the end of the year at 133·70 lakhs, out of which 101·05 lakhs, being more than the moiety to which they were strictly entitled, were transferred to the Departments concerned, leaving 32·65 lakhs at the credit of this account for distribution along with the Surpluses which had resulted in the three years of the contract amounting to 64·87 lakhs.

Starting from a balance of 314·80 lakhs, being the balance of unspent surpluses, etc., at the end of the contract 1338-1340 F. and adding thereto 97·52 lakhs being the amount of undistributed surplus of the triennium 1340-43 totalling 412·32 lakhs 54 lakhs were transferred to the Railway Reserve in 1341-43 F., and extraordinary expenditure amounting to 130·94 lakhs in 1341 F., 96·87 lakhs in 1342 F., and 82·62 lakhs in 1343 F., had been incurred, which left a balance on this account at the end of 1343 F. of 47·89 lakhs for expenditure in 1344 F.

I now proceed to deal with the figures of the year which is now coming to a close and which is the first year of the current triennial contract 1344-46 Fasli. The Receipts Budget for this year was originally estimated at 848·58 lakhs. The Receipts are now anticipated to amount to 839·79 lakhs, 8·79 lakhs less. Land Revenue is expected to be less by 7 lakhs. The Budget had been fixed at 321 lakhs against the Normal of 322 lakhs, but on account of the poor seasonal conditions and general depression, by the end of the year remissions of land revenue amounting to about 20½ lakhs and suspensions amounting to 8½ lakhs will have been granted and there will be a decrease of 7 lakhs below the Budget Estimate. Customs and the excise duty on Matches also show decreases, but they are made up by an equivalent increase under Excise. Interest will, owing to fall in the rate of interest and transfers to Reserves, be less by 5·73 lakhs, against which there will be increases under Railways (2·41 lakhs) and Paper Currency (1·42 lakhs).

Ordinary Service Expenditure was estimated at 821·60 lakhs. It is now expected to amount to 758·36 lakhs by the end of the year or a saving over the Budget Estimate of 63·24 lakhs, out of which 46·36 lakhs, will be carried to the credit of the Departments as Departmental Balances.

Extraordinary grants from current revenues were made in the Budget for remodelling of the Hyderabad (Broad Gauge) Railway Station and saloon, etc. (4·23 lakhs) and non-recurring requirements of various Departments (3·81 lakhs) amounting in all to 8·04 lakhs, which raised the expenditure Budget to a total of 829·64 lakhs. In the course of the year fresh grants amounting to 14·65 lakhs were made from current revenues for Buildings and City Improvement Board (4 lakhs), Miscellaneous amounting to 6·37 lakhs, of which the principal items were, His Majesty's Silver Jubilee (2·34 lakhs), Palestine University, Sir Rabindranath Tagore's Academy and Quetta earthquake Relief Fund (1·74 lakhs), Special Counsel's fees in London, etc. (1·87 lakhs), touring charges of the Members of the Royal family (1·66 lakhs), bringing up the total allotment of extraordinary grants to 22·69 lakhs. Out of these about 18½ lakhs are expected to be spent by the end of the year and 3½ lakhs taken to the credit of the Departments.

Thus taking the ordinary and extraordinary grants together, out of a total saving of 67·09 lakhs, about half-a-crore is expected to be carried to Departmental Balances for expenditure in the two subsequent years of the contract. Buildings, Communications and Irrigation will have saving amounting to almost half (23 lakhs) of this amount. The Departments of Internal development will have about $9\frac{1}{4}$ lakhs, viz., Education ($6\frac{1}{2}$ lakhs), Medicine ($1\frac{1}{4}$ lakhs), Agriculture and Veterinary ($1\frac{1}{2}$ lakhs), the Revenue-earning Departments will have $3\frac{1}{2}$ lakhs, and the Security Departments will have failed to spend $6\frac{1}{2}$ lakhs, Military (5 lakhs), and Police ($1\frac{1}{2}$ lakhs); Miscellaneous and other heads will have between them about $7\frac{1}{2}$ lakhs.

The total Expenditure under ordinary and extraordinary from current revenues, including the amounts transferred to the credit of the Departments, is thus expected to amount to 827·18 lakhs.

The Surplus, therefore, of Receipts (839·79 lakhs) over Expenditure (827·18 lakhs), during the year that is now closing is expected to amount to 12·61 lakhs as against 18·94 lakhs (Revenue 848·58 lakhs, Expenditure 829·64 lakhs) in the Budget.

The year 1344 Fasli started, as previously explained, with Departmental Balances amounting to over a crore, out of which 39·50 lakhs are expected to be spent by the end of 1344 Fasli, the chief Departments being : Buildings and Communications $23\frac{1}{4}$ lakhs, Education $4\frac{3}{4}$ lakhs, Medicine and Military each 2 lakhs, Agriculture and Veterinary $2\frac{1}{4}$ lakhs, Revenue-earning Departments $2\frac{1}{2}$ lakhs. A balance of almost two-thirds of a crore will therefore be left on this account from the Departmental Balances carried over from the last contract, adding to which the unspent Departmental grants of the current year amounting to half-a-crore, the total Departmental Balance account will stand at the beginning of the year 1345 Fasli, at well over a crore (119·36 lakhs), which will be available for expenditure by the Departments in the two succeeding years—1345 and 1346 Fasli, in addition to their normal grants.

I now come to explain briefly the Budget Estimates for the coming year. The Receipts are estimated at 855·92 lakhs, which is only 2·96 lakhs more than the Normal. They exceed the

Budget for 1344 Fasli by $7\frac{1}{2}$ lakhs. The rains have so far been adequate for dry cultivation,—plentiful and generally well distributed in time and area—and if these conditions continue, the heads of revenue dependent upon good seasons are expected to respond accordingly. Land Revenue and Forests are expected to yield 5 lakhs more, Excise 10 lakhs, Railways 3 lakhs, and Paper Currency 1 lakh. These increases, however, are counter-balanced by decreases under two heads : one is Customs which is expected to be less by 8 lakhs as this head takes more time to respond to the stimulus of better seasons. The other head is Interest, where the decrease is $3\frac{3}{8}$ lakhs, and is due to the general fall in the rate of interest obtained on our balances and investments.

The total expenditure from the Receipts of this year is budgetted at 839·46 lakhs against a Receipt budget of 855·92 lakhs leaving there-
Expenditure. by after making provision of 15 lakhs for the Famine and 18·68 lakhs for the Debt Redemption Reserve a Surplus of 16·46 lakhs, which is almost the same as the Budget for the year now closing. Out of this total the ordinary Expenditure is estimated at 830·45 lakhs against the Budget of the previous year of 821·60 lakhs and the Normal of 824·11 lakhs.

The extraordinary grants from current revenue are firstly small non-recurring items amounting
Extraordinary grants. in all to 1·98 lakhs, of which the principal are : training of Excise Inspectors $\frac{1}{2}$ lakh, Additional Members of the Judicial Committee $\frac{1}{2}$ lakh, Educational Scholarships and encouragement of Literature $\frac{1}{2}$ lakh, and special grant to the Archæological Department and Museum $\frac{1}{4}$ lakh. Then secondly, a grant of 5 lakhs for the Hyderabad Drainage, and 2·03 lakhs for the Hyderabad Water Works ; these grants would ordinarily have been from the Surpluses of previous years, but as there is no *undistributed* Surplus available just yet before the accounts of 1344 Fasli have been finally closed, I have in accordance with the basic principle of the System of Departmentalization of Finances of not giving grants from *anticipated* Surpluses, also given these grants from the current revenues of the year.

The increase on the Expenditure side of $8\frac{3}{4}$ lakhs over the Ordinary Budget of the previous year
New Loan. is due to the flotation of a loan at $3\frac{1}{2}$ per cent. repayable in 1355-65 Fasli, which was opened on the

1st of Aban 1344 Fasli and closed within 10 minutes owing to the discretion I had reserved to close the Loan on receipt of subscriptions coming up to a crore. As a matter of fact within those few minutes 138 lakhs had already been received, to which were added 6 lakhs from the Districts. The ready response of the public in subscribing at par 40 per cent. more than the amount notified almost immediately the loan was opened is a convincing proof, if proof were needed, of the credit which Hyderabad enjoys in the money market. The loan is already quoted at a premium of 1·3 notwithstanding the clouds in the West which have depressed the price of gilt-edged Securities. The balance of our funded debt raised before 1331 Fasli amounts to 102 lakhs. The additions since that year including the new Loan amount to about 6 crores, (with an interest charge of $31\frac{1}{2}$ lakhs a year,) which amount is only about 57 lakhs more than what has been spent on Capital Irrigation works, Electricity and Telephone schemes in the Districts. Even though these Capital Works will not for a very considerable time, at any rate, give a return in any way equal to the full amount of the interest liability, we have in addition first in the Railway a most valuable asset, which on our books stands at 17 crores, bringing in a net annual income of $108\frac{1}{3}$ lakhs a year, and then in the City Electricity, the capital at charge of which is Rs. 85·89 lakhs, bringing in a net annual income of Rs. 7·16 lakhs. I have omitted in this all mention of Reserves for specific purposes like the Famine Reserve amounting to almost $2\frac{2}{3}$ crores, the Industrial Reserve of $\frac{4}{5}$ crore, the Osmania Stabilization Reserve of almost $3\frac{3}{5}$ crores, and the Paper Currency Reserve of over $3\frac{2}{3}$ crores, Debt Redemption $1\frac{4}{5}$ crores, and General Reserve $\frac{3}{4}$ crore.

The balance at the credit of the Departments in the beginning of 1345 Fasli is expected to stand at about $1\frac{1}{5}$ crore (119·36 lakhs), on which the requisitions so far received from Departments are only 13 lakhs (12·95 lakhs) (Education 2 lakhs—Municipal Improvements $2\frac{1}{2}$ lakhs—Miscellaneous Departments 4 lakhs), leaving still 106·41 lakhs at the credit of the Departments in addition to their ordinary budget grants.

Coming now to Capital Expenditure, the total provision amounts to 72·43 lakhs as against 46·88 lakhs of the previous year.

CAPITAL EX-
PENDITURE.

Out of the above, the grant under Irrigation is 12·78 lakhs against 16·22 lakhs for the previous year and includes a provision of 6·77 lakhs for Nizam Sagar, 1·43 lakhs for Singambhupallam, and 3·89 lakhs maintenance charges of Irrigation Works during the construction period. The total cost of Nizam Sagar by the end of 1345 Fasli will, it is estimated, have amounted to almost 4½ crores, on which the annual interest maintenance charges will be 26 lakhs a year and until this work begins to bring in a net revenue of this amount, the grants to nation-building departments like Education, Medical Relief, etc., will to that extent be prevented from being augmented. There is also a provision made of ·43 lakh for Preliminary Surveys in connection with the Tungabhadra Irrigation Project, bringing the total preliminary expenditure on different Surveys of this project to 3·31 lakhs.

Irrigation. For Railways, the provision for Open Line construction has been raised from 16·33 lakhs to 23·32 lakhs; one of the main items of increase being the renewal of and addition to rolling stock. There is also a provision of 18·96 lakhs for the expansion of Road Mechanical Transport Services in which Hyderabad has been, it is believed, a pioneer in linking Motor with Railway Transport under the same agency. The total Capital Expenditure for this service will have amounted at the end of the year 1344 Fasli to 21·11 lakhs and the net earnings to 5·92 lakhs, bringing in, after setting apart 3·10 lakhs for depreciation a return of 2·82 lakhs to the coffers of the State instead of to private monopolists and giving at the same time to the public a service more regular, cheaper and safer.

Railways. There are two other small items of Capital Expenditure which need special mention on account of their special character—one is the provision amounting to 3 lakhs for residences of Civil Officers (2 lakhs) and Military Officers (1 lakh), on which adequate rents will be charged so that this capital expenditure will provide necessary amenities to Government servants without imposing any burden on the State. The other is the provision of 5·20 lakhs for commutation of Pensions and Mansabs. In accordance with the orders of Government the amount paid for commutation will be according to Life Tables framed on a

Officers' Residences, etc.

sufficiently conservative basis, and the debit on this account to Capital gradually wiped off by the saving under the Service Head 'Pensions' to the extent of the recurring amount commuted.

The Closing Balance of the present year was expected in the Budget to be 79·65 lakhs. It is now expected to be 292·07 lakhs including 144 lakhs on account of the new Loan. The year 1345 Fasli thus beginning with a Cash Balance of 292·07 lakhs is expected to close, after financing Capital Expenditure of 72·43 lakhs with a Cash Balance of 267·12 lakhs.

The year 1345 Fasli will mark the Silver Jubilee of His Exalted Highness the Nizam Mir Osman Ali Khan Bahadur. A brief statement of some of the great schemes of development which have marked the progress of the Hyderabad State during the twenty-five years of his beneficent reign and the way in which they have been financed from the revenues of the State, without resort to new sources of taxation, is at the moment appropriate.

My distinguished predecessor, Sir Reginald Glancy, took over charge of the Finance Portfolio from the late Sir George Casson Walker just two months before His Exalted Highness ascended the Throne on the 1st September 1911. Sir Reginald's ten years' tenure was memorable for the way in which the resources of Hyderabad were rallied to the service of the Empire during the Great War. Without detailing the indirect help, as for example, the deputation of a hundred rough-riders to train horses for the Cavalry, a loan of silver bullion, minting of small change for the Government of India, manufacture of cordite boxes, shell and transport carts at cost price at our Mint, there were direct contributions in money consisting partly of subscriptions to the War Loan amounting to a crore and two-thirds, and free gifts in the form of subscriptions amounting to almost two crores, of which the principal were about a crore and a half towards the payment of the War charges of the 20th Deccan Horse and the 1st Hyderabad Imperial Service Cavalry, 15 lakhs to the Admiralty in aid of the Anti-Submarine Campaign, and 15 lakhs special donation towards the prosecution of the War.

It was with a view to economising silver given to the Government of India that it became possible for the

State to have a Paper Currency of its own in 1327 Fasli (1918 A.D.), the profits from which are steadily increasing and now amount to over 19 lakhs a year. During Sir Reginald's period the two great works designed in his predecessor's time by Sir M. Visveswarayya to safeguard Hyderabad against floods—the Himayat Sagar and the Osman Sagar were constructed at a cost of almost a crore and a half ; and some of the buildings which beautify Hyderabad, such as the High Court, the Osmania General Hospital and the City College, were constructed at a cost of half-a-crore. The activities of the City Improvement Board, started at the same time, have continued unabated with liberal grants from the State Exchequer, which have amounted by the end of the present year to almost two crores (more exactly 192 lakhs), out of which 79 lakhs will have been spent on the clearance of slums, 31 lakhs on providing buildings for the poorer classes, 32 lakhs on river improvement, the Pathargatti road widening scheme, etc., and 25 lakhs for the provision of better roads. To the latter must be added 28 lakhs spent on cement roads in the Hyderabad City during the last six years.

One of the aftermaths of the War was the rise in prices which necessitated a revision of the scales of salaries that obtained in the State. Two Commissions were set up which reported on the very day Sir Reginald made over charge of his Portfolio. The recommendations of these Commissions led to an increase in the Salary bill of the State from a crore and two-thirds to about two crores. Simultaneously it was felt that attempts should be made to reduce this burden by measures of retrenchment without impairing the efficiency of working of Government departments. These led to savings amounting to fourteen lakhs which were kept in a separate Reserve for the re-organization of the Regular Troops.

The System of Departmentalization of the Finances, with which students of Hyderabad Finance are now familiar, also was soon after introduced.

A comparison of the Normals under this system for 1332-1334 Fasli with the Normals for the present contract for 1344-46 Fasli reveals an increase in the Receipts of about a crore and a half, (namely, from 7 to 8½ crores), of which half-a-crore is due to Ordinary Revenue heads of Land, Forest and Excise, and Post Office, Stamps and

Registration, and one crore is from Railways and Currency profits. The total of the Revenue heads now forms 10 per cent. less, whilst Railways 10 per cent. more, of the total receipts Budget in the present contract than what obtained in the first. The progress of Expenditure also shows an equally satisfactory feature. There has been an increase of about $1\frac{1}{2}$ crores during this period in the Normals, viz., from 686 lakhs in 1332-34 Fasli to 824 lakhs in 1344-46 Fasli. Whilst the increase under expenses for Revenue and General Administration is 24 lakhs and under the heads of Internal Security and Military is $24\frac{3}{4}$ lakhs, the Departments of Internal Development show an increase of $55\frac{3}{4}$ lakhs to which should also be added a considerable portion of the increase of about 25 lakhs under Interest and Debt Redemption due to the undertaking of Capital works on a large scale from loan funds. Expressing these figures in terms of percentages of the total expenditure of the two contracts 1332-1334 F. and 1344-46 F., the Revenue and Administration Budget shows a *decrease* of 2 per cent., the Military and Internal Protection of .75 per cent., whilst Internal Development Departments show an *increase* of 3.21 per cent; there is a decrease of 2.08 per cent. under Irrigation, etc., which however is more than counterbalanced by the increase of 2.36 per cent. under Interest and Debt Redemption on account, as I have said, of Capital Works.

Among the Departments of Internal Development may be mentioned first Education, the expenditure on which has risen from 65 lakhs to 89 lakhs. Whilst speaking of Education, reference must perforce be made to the Osmania University, the inauguration of which, it is no exaggeration to say, will hand down the name of His Exalted Highness Nawab Mir Sir Osman Ali Khan Bahadur in the centuries to come as a Sultan-ul-Uloom in very deed along with the patrons of learning that have adorned the thrones of Baghdad, Cairo and Cordova.

The Medical Department Budget now stands at $27\frac{1}{2}$ lakhs; it was $8\frac{1}{2}$ lakhs twenty-five years ago. Well-considered schemes of medical relief in the Districts and the City together with the great Osmania Hospital, built at a cost of $22\frac{3}{4}$ lakhs and maintained at a cost of 5 lakhs annually have been undertaken, and plague, influenza, malaria and cholera properly encountered.

The Internal Security Departments of Military and Police have also been thoroughly reorganized. Five lakhs have been spent on housing the Police and thirty lakhs for the Military. The annual budget of the Regular Troops has increased from 31 lakhs to 57 $\frac{2}{3}$ lakhs so as to provide them with the training and equipment which now enable the Hyderabad State Troops to stand comparison with the Units of the Indian Army. A considerable portion of this increase has been met from the Retrenchment Reserve, and further savings are expected under the Irregular Troops Budget.

One of the far-reaching Reforms introduced during His Exalted Highness' reign is the institution of the Hyderabad Civil Service, which combines selection with competition and which was first proposed by Sir George Casson Walker 28 years ago but not established till some years later. The recruitment of Civilians who number 84 and would have been more but for the suspension of the Class at one stage of its history has leavened the Revenue, Judicial, Finance and other departments, and there is no doubt that this Service will play a determining part in building up the administration of the future.

His Exalted Highness has responded generously to appeals for funds from outside the State. To mention some of the contributions : London Throat, etc. Hospital Extension Fund ; Ross Institute, London ; Princess Elizabeth Hostel Fund ; Beyrout National Memorial Fund ; Justice Ameer Ali's Fund for Burial of Destitute Muslims ; Palestine sufferers, (£ 1,000 each) ; New Delhi Church (14,000) ; Bangalore Institute of Science (Rs. 10,000 per annum) ; and Aligarh University (15 lakhs and B.G. Rs. 60,000 per annum) ; Red Crescent Society, Delhi ; Viceroy's Leprosy Fund ; Gujrat Relief Fund ; Viceroy's Thanksgiving Fund (half-a-lakh each) ; Bhandarkar Institute (one-third of a lakh and B.G. Rs. 1,000 per annum) ; King Edward VII Memorial Fund (.89 lakh) ; Prince of Wales Fund ; Imperial Indian Relief Fund ; Shahabad Gaya Relief Fund ; "Our Day Fund " Red Cross Society ; Jamme Musjid, Delhi ; Al Aksa Mosque ; Lady Hardings Medical College of Women, Delhi ; Lady Hardings Medical College and Hospital, Delhi ; Vishwa Bharati, Calcutta ; Palestine University ; Victoria Memorial, Calcutta ; (1 lakh each) ; Bihar, Sind, U. P., and Malabar Relief Funds (1 lakh) ; Hospital Ship 'Loyalty' ; Public School, Dehra

Dun ; Chamber of Princes ; Lady Irwin College ; Imperial Council of Agricultural Research ; His Majesty's Silver Jubilee, (2 lakhs each).

That feature of the Departmentalization System which ensures the whole of three years' grants to the Departments and gives to them additional grants out of the Surpluses that have accrued at the end of each triennial period has led to the carrying out of large programmes of works for bettering the conditions of the City and the Districts. Hyderabad has been provided with a modern Drainage system and supply of pure drinking water at a total cost of 2½ crores. Since 1331 Fasli the demands of the Districts have also claimed attention and through regular annual subsidies, amounting already to about half-a-crore, it is hoped that the chief towns in the Dominions will soon have drainage system, water works, electricity and other amenities similar to those enjoyed by the people of the City.

Through communications have been facilitated by the construction of large bridges ; for example the Godavari has been bridged in three places and bridges over rivers like the Bhima have also been constructed costing in all over 60 lakhs.

During the last fifteen years of His Exalted Highness' reign an expenditure of about 2½ crores has given a network of roads over the Dominions, the total mileage of which is now over four thousand miles. A Road Board was constituted in 1339 F. which will, it is hoped, be converted into a Road and Rail Board so as to ensure the correlation of these two channels of communication.

Among the new Departments and activities that have been started during the present reign may be mentioned first that of Agriculture, on which 70 lakhs have already been spent and the regular annual grants to which is now almost 9 lakhs ; Veterinary, on which 55 lakhs have been spent, with a normal grant of 5 lakhs a year ; Co-operative Credit Department, 50 lakhs, with a normal grant of 4½ lakhs a year ; the Industries Department half-a-crore with an annual grant of 3½ lakhs a year, to the resources of which should also be included the Industrial Reserve now amounting to 84 lakhs, the corpus of which is spent in helping large scale Industries with Debentures, etc., and the return on which is then again used for helping small scale Industries, surveys, etc. The Archæological

Department which was started in 1323 Fasli and which has done work, well-known throughout the world, in the conservation of the priceless treasures of Ajanta and Ellora, the Chalukyan monuments of Warangal, and the Bahmani remains of Bidar, has already spent 14 lakhs, and enjoys a grant of 2 lakhs a year. Quite recently a subsidy of a quarter lakh a year to Tata's has resulted in diverting the Trans-Continental Air Mail to Hyderabad, and adequate provision has been made for the starting of a Civil Aviation Club to encourage flying ; whilst an officer has been sent to England to arrange for the starting of Broadcasting Stations in Hyderabad and Aurangabad so as to educate, instruct and entertain the ryot in the districts through his own vernacular.

A good deal of this activity would not have been possible had not the State Budget received material help from the purchase of the Railway which used to be run and owned by an English Company from which the State received on an average about 20 lakhs a year in the quinquennial period 1316-1329 Fasli and 60 lakhs in the quinquennium 1334-1338 Fasli ; but which after the purchase, even in these years of depression is now yielding 108 lakhs a year, after laying aside the full amount for depreciation. The purchase was effected by constituting a Railway Purchase Reserve (O.S. 112·84 lakhs) in 1332 Fasli with an initial corpus of Securities of the face-value of B.G. Rs. 96·72 lakhs to which were added 130 lakhs in 1335 Fasli and subsequently 18 lakhs a year from 1335 to 1343 Fasli. This Reserve enabled the Government in the manner detailed in Extraordinary Jarida dated the 10th Ardibehisht 1339 Fasli, a copy of which was attached to the Budget Note for 1340 Fasli, to purchase the Railway from the Company without any loan. Amongst other advantages, the purchase saved payment of the heavy Income-tax of as much as 6 sh. in the £ which the Company having been incorporated in England, would have otherwise continued to pay.

Along with the Railway must be mentioned the Bus Services which have been started in the last two years with a capital expenditure of 21 lakhs bringing a return of 2·82 lakhs a year and which provide in different parts of the Dominions and also in Hyderabad itself, the public with a regular, punctual, safe and cheap service.

When introducing the System of Departmentalization of the Finances, I had pointed out the necessity of forming separate Reserves for specific purposes, one of which was for Famine. The Expenditure from the Interest in this Reserve (which stands at $2\frac{2}{3}$ crores) has been incurred from time to time to meet not only actual famine relief amounting to about 18 lakhs, but also on the construction of famine roads costing about 14 lakhs, and above all on a system of sinking wells according to a definite programme on which already about 19 lakhs have been spent.

Amongst the works which have been undertaken as capital works under the Departmentalization System must be mentioned first the great irrigation projects on which almost $5\frac{1}{2}$ crores have been spent, and of which the principal is Nizam Sagar, which will have by the time it is completed cost $4\frac{1}{2}$ crores. When even 4 per cent. on this project comes to be realised it will give to the Finance Member of the day an addition of 18 lakhs a year to spend on the nation-building departments of the State.

The City Electricity Department has cost 86 lakhs and is yielding 7·16 lakhs a year. The Districts Electricity Schemes at Aurangabad, Raichur and Nizamabad will have cost 11·88 lakhs and will, it is hoped, soon pay their way ; so also the Telephones, which in the City have cost 9·64 lakhs and 4·29 lakhs in the Districts.

Mention must be made in conclusion of the deputation of a sub-Committee of the Executive Council to England in connection with the constitutional discussions leading to the Government of India Act of 1935. The period of the present contract will possibly be the last before the State is called upon to make its decision whether to enter the Federation of India as a constituent State or to remain in its present position of isolation from British India in direct relation with the Crown. In the course of the discussions that have led to the Government of India Act in its final form, Hyderabad has insisted upon provisions that will enable it, in the event of its joining the Federation, to maintain intact, in matters affecting its Finance, such insignia of the Nizam's Sovereignty as its own Post Offices, Stamps and Currency, such sources of revenue as its internal customs revenue ; and such fields of administration, even in subjects in which it may agree to federate, as the management and control of its own Railways. And it is needless to say that, if

Hyderabad does ultimately decide to enter into the larger life of an All-India Federation, its entry will not be obtained at the expense of that stability of its finances which has been such a proud feature of His Exalted Highness' reign.

HYDERABAD (DECCAN),

10th Aban, 1344 F.

16th September, 1935 A.D.

A. HYDARI

H. N. JUNG,

Finance Member.

Scheme of Departmentalization of Finances

THE Executive Council has desired that in future, a note should be attached, as an enclosure to each Budget Note, explaining the Scheme of the Departmentalization of the Finances, on which the Hyderabad Budget is framed. In accordance with this desire the following note has been framed for the benefit of those, who have not had an opportunity of reading the exposition of the scheme in previous Budget Notes.

The main ideas of this scheme were formulated by me in the following paragraphs, with which I presented my first Budget Note for 1331 Fasli on appointment as Finance Member.

“ I shall try to eliminate as far as possible, from the ordinary revenue and service expenditure of the State, purely temporary items of expenditure and especially those which should not genuinely be considered as such. For example, receipts on account of sale of funded investments, like Government Promissory Notes might swell the cash balance of the State, but being at the expense of our invested balances their inclusion would distort a correct view of our revenue income. Similarly, the profits from *Osmania Sicca coinage, which formerly used to be invested in a separate reserve (the Kaldar Reserve), cannot be depended upon as a regular source of income, and, cannot therefore be treated in the accounts as an ordinary source of revenue. On the other hand, meeting the whole of the famine expenditure as part of the ordinary expenditure of the year in which the famine, after a cycle of years, happens to occur, abnormally exaggerates the position, as regards expenditure, of that year.”

“ One of the problems, to which the Financial Department proposes to address itself in the coming year, is the revision of the classification of the heads of receipts and disbursements in such a way as to exhibit each class in its true perspective and to earmark the

Departmental-
ization of the
Finances.

* O. S. Rs. stands for Osmania Sicca rupees, the State currency, B. G. Rs. stands for British Government rupees the British India currency.

different funded investments under separate reserves according to the sources from, or the objects for, which they have been constituted. There is also another object in view in this revision and that is, what I might call, the *Departmentalisation of the Finances*. In a passage that has become classic, Sir John Strachey showed how before the provincialization of the finances in British India, it was the Province that cried the loudest, and not the one that deserved the most, that got the largest share from the common treasury of India ” :—

“ The local governments had no means of knowing the measure by which their annual demands upon the Government of India ought to be regulated. They had a purse to draw upon of unlimited, because unknown, depth. They saw on every side the necessity for improvements, and their constant and justifiable desire was to obtain for their own province and people as large a share as they could persuade the Government of India to give them out of the general revenues of the empire. They found by experience that the less economy they practised and the more importunate their demands, the more likely they were to persuade the Government of India of the urgency of their requirements.”

“ Applying this analogy of the *Provinces* in British India to the different *departments* of this State, giving the most to the department that cried the most was a policy which led to no practical difficulties when as ten or even five years ago, a surplus of over a crore or even a crore and a half out of a total revenue of between five and six crores was a normal feature of the State Budget. But this has become impossible now, when as will be observed when I deal with the budget figures for 1331 F., in detail, the highest receipt budget, that has so far been framed, is just sufficient to meet all the demands of expenditure to which the Government practically stands committed ; and the policy, that suggests itself to me as the best at present for adoption, is to fix the total grant of each department for a number of years and give it a large measure of autonomy within that grant, subject of course, to such general restrictions as are necessary to avoid any undesirable developments or precedents, and subject also to a rigid and really effective audit. The department must carry out whatever measures of reform it might desire to institute within this grant. If it happens to have any proposals for capita]

expenditure, it must provide, within its grant, for the amount of interest by which the earnings of the project fall short of the interest charges, incurred by the State in financing it. If after such allocations of the ordinary income among the different departments and making due provision every year for the formation of specific reserves for such classes of expenditure as, like famine, come inevitably but after a cycle of years, there happens to be a surplus it would be the happy privilege of the Finance Department to suggest how that surplus could be most profitably distributed, the first claim on it ordinarily being that of the department contributing to its creation and then of development departments like Education, Sanitation, Commerce, Industries, Irrigation and Communications, that promote the mental, physical and economic efficiency of the people. Until, however, such a surplus is actually in the coffers of the State, the Members in charge would be trusted to see that the expenditure is kept from year to year within the grants fixed for them for a definite period."

"The scheme was sanctioned in 1331 F. and the following gives the latest version of the rules which were framed to give effect to my proposals and passed by the Executive Council of His Exalted Highness the Nizam's Government on 27th Aban, 1331 F. and subsequently slightly amended at the time of 1338 F. Budget.

I. The grants allotted to each department shall be fixed for three years beginning from 1332 Fasli provided that—

(a) if any particularly adverse conditions like Famine or severe scarcity arise, they will be liable to curtailment,

(b) if there is any increase at the end of the year over the Normal Receipts the excess will be distributed by additional allotments to the different departments in such a way as Government may decide.

II. Each of the spending departments noted in the margin will be entitled to spend in addition to its normal grant any increase in its Receipts and the proceeds of any fees or cess, etc., that may be imposed lawfully for the service of that department.

Post Office and
Departments
under "F" Admi-
nistration.

III. A department may be given in special circumstances a special allotment for expenditure in advance, if the Government is satisfied that the Expenditure will be covered by a corresponding increase in the Receipts.

IV. Each of the Commercial and quasi-Commercial departments mentioned in the margin shall have at its disposal:—

Printing,
Electricity, Work-
shop, Telephone,
Industrial Con-
cerns, Jail Indus-
tries and Station-
ery Depot.

(a) its normal net grant, if any, is fixed,
(b) and the Receipts earned by it, out of which it will have
(i) to defray all working expenses
(ii) provide for suitable depreciation
(iii) pay to Government interest at 5 per cent. on the total Capital at charge. From the balance left it will pay such profits to Government as the circumstances of the department permit.

V. Every Expenditure will be subject to Budget provision. Expenditure in excess of the normal grant will be allowed either in the circumstances mentioned in Rule III or if the department has an equivalent amount of surplus balance at its credit brought over from the previous year. Sanction, under Royal Commands issued without the initiative of the department, will be in addition to the normal grant and will be in excess of the Budget provision.

VI. Percentage and scale charges payable under the rules on revenue collected, as also refunds, rebates, and remissions of excess collections shall not be subject to Budget provision.

VII. The savings from departmental grants shall be placed at the credit of the department concerned for expenditure during the years of the contract, and at the end of the third year, one-half of the amount of the unexpended surplus of each department will be carried forward to its credit for the next period of the contract but the savings by reduction under the following heads will lapse entirely to Government:—

1. Mansabs and special allowances
2. Yomias, Mamuls (not conditional on performance of service)

3. Rusums
4. Reductions under Irregular Troops
5. Tahrir of Sarishtadars
6. All sinecure allowances.

VIII. If any department desires an increase for its capital beyond the capital grant already sanctioned, it must provide, within its grant, *i.e.*, from its receipts, for the amount of interest at 5 per cent. on the whole capital inclusive of the old as well as the new capital claimed. This will be the first charge on its gross Receipts.

IX. The charges under Salaries and Allowances, Contingencies, and Supplies and Services, shall be regulated by the scales, rules and regulations in force from time to time.

X. The departments will have full powers of inter-appropriation of grants under Contingencies and Special Charges (Supplies and Services) excepting the grants mentioned in Rule VI. They will also have power to reappropriate from Contingencies and Special Charges to Travelling Allowance and Tour Charges.

XI. The savings under Salaries and Personal Allowances on account of appointments unfilled shall not be appropriated for the creation of permanent appointments, but may be utilised for the payment of arrears of pay or temporary appointments not costing more than the amount. Permanent reduction in establishment below the cadre fixed by Government on the recommendation of the Salaries Commissions can be appropriated for the creation of new appointments as well as for increase in contingencies, special charges and other improvements of the department.

XII. The allotments for Travelling Allowance and Tour Charges and also the provision for works under Forest, Buildings and Communications, Irrigation and Public Improvements and grants for Petty Construction and Repairs placed at the disposal of each department shall not be appropriated for salaries and contingencies except with the express approval of the Finance Department, which will be accorded only in very exceptional circumstances.

A. HYDARI,
Finance Member.

Budget Note for 1346 Fasli

IN presenting the Budget, it is the practice to review in a note the financial affairs of the country and to comment on the more important improvements in its administration as expressed by the figures of the Budget. This review includes the figures not only for the coming year but also those for the two years previous. The system in the Dominions of Budget estimates is based on a scheme of triennial contracts known as the Departmentalization of the Finances. The coming year 1346 F. is the last of the triennium 1344-1346 Fasli.

2. The principle, underlying this system, lies in gauging as carefully and accurately as possible the probable revenue and expenditure for a period of three years, which form the "Norm" for the estimates for that triennium. Annual estimates are based on that "Norm," fixed in consultation with the Departments, taking into consideration the special circumstances and features of the year. The annual allotments made to the Departments during the currency of a triennium do not lapse at the end of the year. Any amount left unspent is carried forward to the credit of the Department and is available for its use as and when required, except that provisions left unspent up to the last day of the triennium are halved, one-half again going back to the Department concerned and one half lapsing to the General Revenues.

3. At the expiry of each triennium or earlier if it is considered necessary the surplus of the previous years is distributed to the Departments generally and specially to those Departments like the Public Works Department for roads, and other Departments such as Education, Public Health, Agriculture, etc., which are known as Nation-building Departments, for equipment, buildings and other expenditure of a non-recurring and self-contained nature

4. There are also special Reserves established to meet specific objects, to which an annual contribution is made by the General Revenues as their normal allotment. These Reserves are allowed to be drawn upon, when any expenditure is required to be incurred for purposes coming strictly within the purview of these Reserves—Famine Reserve and the Reserve for the Redemption of Government Debt, are instances in point. There is also the Industrial Reserve, the corpus of which is used in financing large industries within the State like Coal and Gold Mines, Cement Works, Textile Mills, etc., and the dividends accruing from these investments are again used for giving help to Cottage Industries, Industrial Surveys, Industrial Training Scholarships, etc. For deposits of the nature of Post Office Savings Bank, Provident and Insurance Fund and such like deposits on which Government has the liability to pay interest there is a separate reserve. The Osmania Sicca Stabilization Reserve and the Paper Currency Reserve are of a different character and have been built up, not from General Revenues but respectively from profits on Coinage and from one-third of the net Currency Note Circulation which can statutorily be invested in securities.

5. In conformity with the orders of the Executive Council, the principles and rules of the scheme of the Departmentalization of the Finances are as usual reproduced in full at the end of this Note, for facility of reference by those who may wish to have more detailed information about the essential features of the Scheme.

6. This system makes for a well-deliberated and far-seeing programme together with due care and economy in the expenditure. It avoids the rush of hurried and ill-considered expenditure at the end of a budget year, in which the spending departments are apt to indulge, where the system of grants lapsing at the close of the financial year obtains. Although the Finance Department expressly reserves to itself the right to reduce the contract grants of the various departments in case of some grave financial emergency, this right has not yet been so far exercised. During the last 13 years, not only have the triennial contracts with the departments never once been broken but, where good and sufficient reason has been shown, Government have sanctioned extraordinary expenditure for departments over and above their contract grants.

7. The Dominions of His Exalted Highness comprise 82,698 sq. miles with a population, according to the census of 1931, of 14,436,148. Under the wise and beneficent rule of His Exalted Highness, Hyderabad has, under Providence, enjoyed in the sphere of Finance, with which I am concerned now, an exceptional position, because its budget has been, notwithstanding the world depression, a balanced one with a surplus forthcoming every year, without any increase of existing taxes and without any imposition of new taxation. In fact up to the present time there have been substantial remissions of Land Revenue and reductions in Customs duty, apart from extraordinary remissions in cases of famine and similar calamities. In addition, the amount of the departmental balances, outstanding at the end of the year, shows that the departments have not been stinted and have had more than they required to spend.

8. The year 1344 was no exception to this and a surplus of 13·14 lakhs was achieved. The ACTUALS 1344 F. total figures are as follows :—

	Norm	Budget	Revised	Actuals
Revenue	.. 852·96	848·58	839·79	842·01
Expenditure	.. 824·11	829·64	827·18	828·87
Surplus	.. 28·85	18·94	12·61	13·14

It will be seen that the total figures of the Actuals differ but little from the Norm and still less from the Budget or the Revised estimates.

9. Actual Receipts were 2·22 more than the Revised and 6·57 less than the Budget figures. The main features of the receipts are as follows :—Excise actually realised 167·62, *i.e.*, 12·62 more than the Budget estimate. This was partly due to the introduction of the Madras (Shopwar auction and tree-tax) system and partly to the collection of arrears due in previous years. An interesting increase was that of 1·06 over the budget in Stamps to a total of 21·06. Interest received from the Banks increased the receipts under Paper Currency to 19·39, an increase of 1·19 over the Norm and the Budget.

10. A satisfactory feature is the figure for the State Railway which shows a profit for Government of 109·52 lakhs, against a budget estimate of 105·41 and a revised estimate of 107·82.

11. Owing to crop failures, occasioned by unequal distribution of rain even though it was above the average, Customs receipts 91·66 lakhs were 11·34 below the Budget estimate and 3·34 less than the Revised estimate. The same cause accounted for a drop in Land Revenue of 8·05 as compared with the Budget estimate. Hyderabad could not possibly remain immune from the effects of the world depression. During the last five or six years some of its principal sources of Revenue especially Land Revenue remain materially affected. It was necessary to make considerable remissions in Land Revenue in order to help the Agriculturist who was hard hit by the fall in the price of his products. Customs, which also depends upon prices both of exported produce like Cotton, Oil-seed, etc., and import of Manufactures, sank from the Norm of 138 lakhs in 1338-1340 to Actual Receipts of 91·66 in 1344 F.

12. The Expenditure figures for 1344, taking into account unspent grants by Departments from the Budget provision for the year, have not shown any appreciable variation from the Budget, the Revised, and the Actuals, being 829·64, 827·18 and 828·87 respectively.

13. During 1344 Fasli, the Extraordinary grants, made at the time of framing the Budget and subsequently in the course of the year, amount in all to 21·70 lakhs. These increases were mainly for Customs, Excise and Postal Departments ($1\frac{1}{2}$ lakhs), tour expenses of Walashan Princes ($1\frac{3}{4}$ lakhs), Judicial Committee and Judicial Inspecting Officer (1 lakh), Municipalities and town improvements ($1\frac{2}{3}$ lakhs), Buildings ($2\frac{3}{4}$ lakhs), remodelling of Hyderabad Railway Station ($3\frac{1}{2}$ lakhs), King George's Silver Jubilee Fund ($2\frac{1}{2}$ lakhs), Palestine University ($1\frac{1}{4}$ lakhs), additional grant to Sir Rabindranath Tagore's Academy ($\frac{1}{4}$ lakh), Quetta Earthquake Relief fund ($\frac{1}{3}$ lakh), purchase of articles for Archæological Museum ($\frac{1}{3}$ lakh). At the same time grants were made for the starting of two new departments which are expected to have far-reaching effects, viz., Broadcasting ($\frac{2}{3}$ lakh) and Civil Aviation ($\frac{1}{4}$ lakh).

14. As 1344 was the first year of the triennium, the surpluses of the previous three-year period came for distribution. Out of these 50·15 was given to departments and 35·88 of this was spent. Of the sum of 50·15, the sum of 14 $\frac{2}{3}$ was for Public improvements, *viz.*, 5 $\frac{2}{3}$ for remodelling Hyderabad Water Works and 9 lakhs for Hyderabad Drainage Works. Buildings accounted for 35 lakhs out of which 28 $\frac{1}{3}$ was assigned to Osmania University. As the result of this substantial appropriation the University has made good progress and already some hundreds of students are accommodated on the site.

15. The moiety of savings placed to the credit of the departments at the beginning of the current triennium amounted to 101·05 lakhs. The expenditure incurred by departments from their Departmental Balances is 50·92 in 1344 Fasli which will likely be 76·46 in 1345 Fasli and for 1346 Fasli the amount proposed for the time being to be utilised by the departments is 10·05 only. If the departments do not draw upon their balances in 1346 Fasli beyond what they at present propose, the accumulated balance, standing to the credit of the departments at the end of 1346 Fasli inclusive of accretions of 1344 and 1345 Fasli, may be estimated to be 131·68 half of which will remain available to them even for the next triennium. This indicates the spirit in which the triennial departmental contracts are fixed by the Finance Department.

16. I now come to the results of 1345 Fasli. The figures given are not final since the year REVISED 1345 F. has only recently closed but they may be taken as substantially accurate. They are :—

		Norm	Budget	Revised
Revenue	.. ..	852·96	855·92	873·18
Expenditure	.. ..	824·11	839·46	852·10
Surplus	.. ..	28·85	16·46	21·08

It is gratifying to note that a surplus of 21·08 was achieved against the estimate of 16·46 and a surplus of 13·14 in 1344 Fasli. The forecast for 1346 Fasli shows a still higher surplus at 22·18.

17. The total Receipts for 1345 Fasli were 873·18 which is an increase of 31·17 over 1344 Receipts. Fasli. The Receipts for 1345 F. exceed the Estimates twelve months ago by 17·26. The increases are in the three principal heads of Revenue namely 5·00 under Land Revenue, 10·00 under Customs and 4·50 under Excise. These increases which have been off-set by certain small decreases show that the downward trend has been definitely reversed and the hopes expressed last year of an increase in Receipts have been fully realised.

18. The improvement in Excise is likely to continue owing to the introduction of the Madras system of Tree Tax. In 1344 F. the receipts under this major head were 167·62 against a Norm of 155 and in 1345 they amounted to 169·50. It is hoped the situation will improve now, when the jagir Excise Revenue Administration has come wholly under the Excise Department of the State. According to the proposals sanctioned by His Exalted Highness, the Jagirdar is fully assured of getting what is properly due to him, while the introduction of measures, aiming at equalisation of duty and uniformity of control, will prevent losses to General Revenue on account of unfair competition and smuggling of sendhi from low duty areas.

19. Besides the three principal sources mentioned above there are other items of revenue. Excise Duty on Matches, Opium and Forests have shown decreases on the Budget estimates.

20. Post Office also shows a slight loss in its working but this is in accordance with the Budget estimates. It is a matter for regret that the dual system of Post Offices in the Dominions necessarily involves duplication and waste. It is hoped that when the problems of Federation are decided, an arrangement will be arrived at, giving the Post Offices of His Exalted Highness their full functions and eliminating unnecessary competition.

21. The financial heads of Mint, Paper Currency and Exchange show little variation. Interest, however, has recorded an increase of 1·60 lakhs.

22. The Railway continues to give the State a good return of over 6 per cent. on the Capital Expenditure, which again emphasises how advantageous has been the acquisition of the Railway by the State. On a Capital

expenditure of $17\frac{1}{2}$ crores a profit of 109·52 was made in 1344 and of 106·43 in 1345 Fasli. At the same time the line was maintained in a high state of efficiency and a further Capital expenditure of 42·28 was incurred.

23. Electricity (City + 1·88 and District—·18) shows a balance of 1·70 receipts over expenditure. The general position is dealt with under Capital Expenditure. Telephones show a loss of ·20 but it is to be hoped that with an improvement in the service, this loss will be wiped out.

24. The Expenditure for the year 1345 F. was 852·10. In fact, however, the net expenditure after deducting unspent departmental balances of 69·89 was 782·21. The corresponding figure for 1344 was net expenditure 744·97 lakhs. The principal departments to which these balances were carried were Buildings and Communications and Irrigation ($32\frac{3}{4}$ lakhs), Municipalities and Public Improvements ($5\frac{2}{3}$ lakhs), Military ($5\frac{1}{2}$ lakhs) and General Administration ($1\frac{3}{4}$ lakhs).

25. In Service Expenditure are included extraordinary grants to the extent of 38 lakhs from current revenues. The tours of the Princes, etc., accounted for $6\frac{1}{2}$ lakhs, repayment of their debts $5\frac{1}{2}$ lakhs, Broadcasting Equipment 2 lakhs, Construction of Radio Transmitting Station $1\frac{1}{3}$ lakh, Aviation Buildings $1\frac{1}{3}$ lakh, Remodelling Hyderabad Water Works 2 lakhs, City Drainage 5 lakhs, Donation for charitable work in Delhi $\frac{1}{3}$ lakh and for the statue of His late Majesty and the portrait of H.E. Lord Willingdon $\frac{1}{3}$ lakh. The Princes' expenditure has now been reduced to a fixed Civil List separate from that of His Exalted Highness.

26. Besides the ordinary Service Expenditure, the State undertook in 1345 F. a considerable amount of Capital Expenditure amounting to 73·26. Out of this Capital Expenditure, Irrigation accounted for 9·16, Railway Construction for 42·28 and Electricity for 6·00 for the City and 9·06 for the Districts.

27. The financial position of the District Electricity Department concerns, though better, is not yet satisfactory. Even Aurangabad, which started as early as 1337 Fasli, does not seem to pay its way. According to the unaudited

figures, during the four years 1341-44, the General Revenues had to meet a loss of over half a lakh if interest charges are also included.

28. The effect of the figures for departmental spending, apart from Capital Expenditure, is that the departments in 1345 Fasli had service funds available to the extent of Rs. 857·44 Budget and 29·00 fresh sanctions in excess of budget both from current revenues and 148·30 from Departmental balances, total 1034·74 of which they spent 872·48.

29. I will now explain briefly the Budget estimates for 1346. The figures for Revenue and Expenditure are as follows :—

		Norm	Budget 1345	Budget 1346
Revenue	..	.. 852·96	855·92	869·56
Expenditure	..	.. 824·11	839·46	847·38
Surplus	..	.. 28·85	16·46	22·18

It will be seen that the present estimate for 1346 forecasts Receipts as 13·64 better than the Estimate for 1345 made in 1344 and 16·60 better than the Norm. The above surplus is after transferring 15·00 lakhs to Famine Reserve and 18·68 to the Debt Redemption Reserve.

30. It is expected that Customs will realise 101·35 or 6·35 more than the estimate for 1345 Receipts. though as a measure of caution it has been put at 3·65 less than the receipts for 1345 which were 105.

31. There is an increase forecasted of 3·26 for Interest due to the purchase of new securities in 1345. The same reason accounts for an increase of 1·15 under Paper Currency.

32. Moderate optimism is, I think, justified with regard to the Post Offices and an increase in gross revenue of 1·14 is anticipated. For the reasons, however, I have previously given, it is an uphill task for the State, under present conditions, quite beyond its control, to place its Post Office administration on a sound financial basis.

33. The City Electricity is expected to yield, after paying interest on capital at charge, a net revenue of 2·87, of which 1·00 will be retained with the Department for the benefit of its employees and the balance of 1·87 will go to the General Revenues. Thus in spite of a loss of ·18 on the District concerns this head will show a net profit of 1·69.

34. The item of Vehicle Tax is a new head, due to the necessity of building up a Road Fund to meet the requirements of modern motor traffic. A new Motor Vehicle Act will come into force from the 1st Azur 1346 Fasli and Registration and License Fees are expected to bring in, for the first year at reduced rates, an income of 2·60 lakhs, which, after meeting necessary charges, will remain earmarked for purposes of road construction.

35. In the total of Service Expenditure of 847·38 there are some items of interest affecting the economic development of the State. 7 lakhs have been set aside for Aviation and 5 for Broadcasting during this triennium. In 1346 an extraordinary grant of 2½ is proposed for non-recurring initial expenses of Aviation. Hyderabad is now a stage on the Karachi-Bombay-Madras Air Mail route and a Civil Aviation Club for the present practically subsidised by Government has come into existence to give local encouragement to flying. The public of Hyderabad have now not only this rapid means of transit at their service but the air-minded amongst them have a good opportunity of learning flying under expert guidance. Steps are also being taken to set up an Aviation Service on a commercial basis under the control of the N. S. Railway.

36. As regards Broadcasting the existing station at Hyderabad will give place to a more modern and powerful one. Aurangabad will soon have a station for itself and later on other district headquarters will have good stations set up, with the object of educating, instructing and entertaining the people in the villages in their own vernacular languages.

37. Under General Administration, some expenditure has been incurred on the formation of a compact Constitutional Affairs Secretariat. This was necessitated by the many and complex problems raised by the State being called upon to consider the all-important problems connected with the proposed Federal Constitution for

All-India. The State had to be ready not only to be able to say whether Hyderabad could federate or not, but what is more, it had very carefully to consider, if Federation was agreed to at all, what reservations and safeguards would be necessary to ensure to Hyderabad complete financial stability, non-interference in day-to-day administration of Federal and non-Federal subjects, and preservation of such prized insignia of Sovereignty as Currency and Post Office. It was, therefore, found necessary for the purpose of examining carefully the implications of the proposed Constitution, that a separate and expert Secretariat should be established to bring to fruition the labours of the Hyderabad Delegation since the Round Table Conferences. The step was taken none too soon as, very shortly after the establishment of the Secretariat, His Exalted Highness' Government were invited to start discussions in November next with the representatives of the Government of India on the question of their accession.

38. The expenditure for 1346 Fasli will cover other features of interest such as the giving effect to the recommendations of the Education Enquiry Committee, which have been the outcome of discussions initiated in the State so long ago as 1929.

39. Drainage will receive an extraordinary grant of 5 lakhs and Education $\frac{2}{3}$ lakh for Scholarships and encouragement of literature.

40. Under Capital Expenditure the total provided is 98·17 lakhs in 1346 as against 72·43 lakhs in 1345. Irrigation accounts for 7·12 lakhs which will be used in carrying on existing construction.

41. Five lakhs go to providing residential buildings, of which 2 lakhs will be for Civil and 1 for Military Officers and 2 lakhs for the Osmania University Staff.

42. The biggest item of Capital Expenditure is that of Railway Construction which accounts for 67·67, of which 35 lakhs has been kept for the Aurangabad-Bir-Purli line. If this line is sanctioned, on receipt of the report now under preparation with the Railway Department, it will not only open up the whole of the Bir and Western portion of the Aurangabad Districts but will provide a parallel Broad Gauge line to the existing Hyderabad-Godavari Valley Metre Gauge Railway. After this line

covering 137 miles is completed, it will require a change of gauge only between Aurangabad and Manmad to enable Hyderabad having a direct Broad Gauge connection via Manmad with stations in the North.

43. Seven lakhs is for the expansion of Road Mechanical Transport Service. Hyderabad has been a pioneer in the co-ordination of Road and Railway transport. In 1341 an up-to-date Bus Service was inaugurated by the Railway with monopolies over certain selected routes. As private monopolies are expiring, the Railway is replacing them with a better organised bus service. The Road Transport mileage by the end of this triennium will have increased to 3834 miles, and the fleet of buses to 235. The capital outlay will amount to 50 lakhs. Standardisation of regular services and low rates characterise the Railway Bus service. A further development in the co-ordination of all forms of public transport will be accomplished, if the State undertakes to operate its own Air Service, in conjunction with its Rail and Road Services.

44. This I think concludes the main points of interest in the results of 1344 and 1345 Fasli and the forecast for 1346 Fasli and all that remains is to give a short summary of the position of the Cash Balances and of the growth of the State Investments.

45. The year 1344 Fasli opened with a Cash Balance of 164.59 lakhs and after the addition of 144 lakhs from a new loan, closed with a cash balance of 305.91 lakhs. The year 1345 Fasli is expected to close at 178.16 lakhs after financing a Capital Expenditure of 73½ lakhs and Investments costing 1½ crores. The Investments represent the purchase of Government of India Scrip on behalf of the Debt Redemption, Famine, O.S. Stabilization and Deposit and General Reserves which had large balances at their credit to be invested when a suitable opportunity offered. The year 1346 Fasli will thus commence with a Cash Balance of 178.16 lakhs and after incurring Capital Expenditure of 98.17 lakhs and meeting Service Expenditure of 869.94 is expected to close with a Cash Balance of 151.53 lakhs.

46. Reserves show substantial increases during the past two years and are estimated to augment still further. In the beginning of 1344 Fasli the total Reserves amounted to 9 crores. In 1346 Fasli the figure will be 10½ crores. Out of this sum

the Famine Reserve which receives an annual contribution of 15 lakhs from the General Revenues, will have amounted to 2 crores 87½ lakhs. The Industrial Reserve will be reaching a crore, and the Deposits and General Reserves will have practically reached that figure (*viz.*, 88¾ lakhs and 99¼ lakhs respectively).

47. The Debt Redemption Reserve for which an annual allotment of 18¾ lakhs is laid aside from the General Revenues will have reached 2 crores 11½ lakhs. Against this Reserve the State will have a debt of a little over 7½ crores from which Capital Expenditure of 6½ crores on large Irrigation Works, Electricity and other public Utility Concerns will have been incurred and the purchase of the Railway in 1339 F. and its subsequent expansion showing capital at charge at 17½ crores financed.

48. These figures exclude the Paper Currency Reserve and the Osmania Sicca Stabilization Reserve. With regard to Paper Currency, our net circulation amounts to 12¾ crores and under our Paper Currency Act one-third of the net circulation may be held in the form of Government Paper, etc. The Paper Currency Reserve Investment now amounts to 406 lakhs and is therefore yet 16 lakhs less than the Statutory limit. The Osmania Sicca Stabilization Reserve, formed from the profits of coinage, will amount to 359 lakhs. With a view to meet all trade requirements, His Exalted Highness' Government has arranged to have a sufficient stock of O.S. currency in the relative treasuries and B.G. notes and coin offered by the public are freely converted in O.S. currency at rates fixed under special notifications by Government. This measure has enabled the Government to supply freely O.S. currency at places where B.G. currency was more or less in circulation. In recent years the circulation of O.S. currency in these places has increased considerably and the people are getting used not only to transact all their business in the currency of the State but also to invest their surplus funds in State Loans, State Postal Savings Banks, and Industrial concerns within the Dominions.

49. It is not usual to consider the distribution of accrued surpluses during the currency of the triennial contract or to discuss the ways and means for financing extraordinary projects. These matters are threshed out when the triennial contracts are made with the Depart-

CONCLUSION.
Building Programme.

nts. The construction, however, of the Osmania University is to be completed and the Government is also very keen on providing Hyderabad with a duly designed Central Secretariat and in the interests of law and order provision of Police Barracks in the Districts must be effected. The authorities responsible for these works are naturally anxious for an indication from the Finance Department as to the manner in and the extent to which these would be financed, so that they might be able to set the pace accordingly. The Finance Department are prepared to guarantee an annual allotment for the next four years of 15 lakhs to the Osmania University, of 10 lakhs for financing the District Police Barracks, and 7 lakhs, until completion, for the Central Secretariat. With a view to prevent this expenditure affecting the normal building grants in the next triennium, it is proposed to finance it partly out of past years' surpluses but mainly by flotation of a loan at a suitable time and provide in the Budget for the necessary interest and Sinking Fund charges which will be easy as the annual provision of 15 lakhs for the Famine Reserve will cease with its reaching a total of 3 crores. It will not be right to throw the burthen for the construction of buildings of this kind of a permanent character wholly on the present generation without making posterity have their due share in it.

50. The finances of the Co-operative Credit movement, Hyderabad State Bank. the indebtedness of the ryot, and the development of industries and mineral resources of the Dominions have been objects of special concern to Government, and with the establishment of a Reserve Bank of India under an All-India Federation, it has now become imperative for Hyderabad to seek help in the solution of its Banking problems through a State Bank of its own. The problem, especially of the management of such a Bank, is fraught with great difficulties but I have no doubt these will be overcome.

51. I end this note with the hope, which I feel sure is justified, that the progress of the past year will, under God's Providence, be maintained. It is in this year that His Exalted Highness the Nizam will celebrate his Jubilee. His reign has been a period of financial stability combined

with a very real increase in the prosperity of his subjects.
 The result is the high financial reputation enjoyed by
 Hyderabad.

HYDERABAD (DECCAN),

A. HYDARI

1st Azar, 1346 F.

H. N. JUNG,

6th October, 1936 A.D.

Finance Member.

